

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
PURSUANT TO ART. 123-BIS OF LGS.DECREE NO. 58/1998

FINANCIAL YEAR 2019

**Approved by the Board of Directors of
Arnoldo Mondadori Editore S.p.A.
on 17 March 2020**

GRUPPO  MONDADORI

www.mondadori.it

TABLE OF CONTENTS

1. <i>GROUP PROFILE</i>	4
INTRODUCTION	4
CHOSEN CORPORATE GOVERNANCE SYSTEM	5
2. <i>INFORMATION ON OWNERSHIP STRUCTURE</i>	6
STRUCTURE OF SHARE CAPITAL. SHARE STRUCTURE AND RIGHTS	6
RESTRICTIONS ON THE TRANSFER OF SHARES	6
MAJOR SHAREHOLDINGS	6
SECURITIES CONFERRING SPECIAL RIGHTS	7
EMPLOYEE STOCK OWNERSHIP: MECHANISM FOR EXERCISE OF VOTING RIGHTS	7
RESTRICTIONS ON VOTING RIGHTS	7
SHAREHOLDER AGREEMENTS	7
CHANGE OF CONTROL CLAUSES	7
AUTHORISATION TO INCREASE THE SHARE CAPITAL AND PURCHASE TREASURY SHARES	7
BUYBACKS EXECUTED DURING THE YEAR	9
MANAGEMENT AND COORDINATION ACTIVITIES (EX ART. 2497 ET SEQ. ITALIAN CIVIL CODE)	9
3. <i>COMPLIANCE</i>	10
4. <i>BOARD OF DIRECTORS</i>	10
COMPOSITION OF THE BOARD OF DIRECTORS	10
APPOINTMENT AND REPLACEMENT OF DIRECTORS	11
FUNCTIONS AND ACTIVITIES OF THE BOARD OF DIRECTORS	14
CORPORATE OFFICERS	17
CHIEF EXECUTIVE OFFICER	17
CHAIR OF THE BOARD OF DIRECTORS	17
NOTICE OF MEETING	17
NON-EXECUTIVE DIRECTORS	18
INDEPENDENT DIRECTORS	18
LEAD INDEPENDENT DIRECTOR	21
SELF-ASSESSMENT OF THE BOARD OF DIRECTORS	21
5. <i>TREATMENT OF CORPORATE INFORMATION</i>	22
MANAGEMENT AND DISCLOSURE TO THE MARKET OF SIGNIFICANT AND INSIDER INFORMATION	22
INTERNAL DEALING	22
BLACK-OUT PERIODS	23
6. <i>INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS</i>	23

INTRODUCTION	23
REMUNERATION & APPOINTMENTS COMMITTEE	23
REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL	25
RELATED PARTIES COMMITTEE	26
<i>7. CONTROL & RISKS COMMITTEE</i>	<i>27</i>
THE ACTIVITIES CARRIED OUT BY THE COMMITTEE WERE DULY AND REGULARLY REPORTED TO THE BOARD OF DIRECTORS.	30
<i>8. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</i>	<i>30</i>
MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	30
INTRODUCTION	30
RISK MANAGEMENT	33
DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	33
HEAD OF INTERNAL AUDIT	34
ORGANISATION, MANAGEMENT AND CONTROL MODEL EX LGS.DECREE 231/2001	35
SUPERVISORY AND OVERSIGHT BODY	35
INDEPENDENT AUDITOR	36
MANAGER IN CHARGE OF PREPARING THE CORPORATE ACCOUNTS	36
COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	37
MAIN CHARACTERISTICS OF EXISTING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS	37
INTRODUCTION	37
REFERENCE CONTROL MODEL	37
CHARACTERISTICS OF THE INTERNAL CONTROL MODEL	38
<i>9. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS</i>	<i>39</i>
<i>DETAILED INFORMATION ABOUT RELATED-PARTY TRANSACTIONS IN FINANCIAL YEAR 2019 IS PROVIDED IN THE DIRECTORS' REPORT ON OPERATIONS AND IN THE EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS IN THE ANNUAL REPORT AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019, WHICH IS AVAILABLE ON THE WEBSITE WWW.MONDADORI.IT - GOVERNANCE SECTION.</i>	<i>40</i>
<i>10. BOARD OF STATUTORY AUDITORS</i>	<i>40</i>
COMPOSITION AND OPERATIONS OF THE BOARD OF STATUTORY AUDITORS	40
APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS	41
STATUTORY AUDITORS' INTERESTS	44
<i>11. INVESTOR RELATIONS</i>	<i>44</i>
<i>12. SHAREHOLDERS' MEETINGS</i>	<i>44</i>
<i>13. OTHER CORPORATE GOVERNANCE PRACTICES</i>	<i>45</i>
<i>14. CHANGES AFTER THE REPORTING DATE</i>	<i>45</i>

15. REMARKS ON THE LETTER OF 19 DECEMBER 2019 OF THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE	45
ATTACHMENTS	47
TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES	47
TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS	48
TABLE 3: INFORMATION ON OWNERSHIP STRUCTURE	49

Arnoldo Mondadori Editore S.p.A.
Via Bianca di Savoia 12
Share capital € 67,979,168.40 fully paid-up
Milano-Monza-Brianza-Lodi Companies Register, and tax code 07012130584
www.mondadori.it

Report on Corporate Governance
and Ownership Structure
pursuant to art. 123-bis of Lgs.Decree no. 58/1998
Financial year 2019

1. GROUP PROFILE

INTRODUCTION

A leading media company, the Mondadori Group operates in two main publishing sectors: books and magazines. The Group is a major publisher of trade books under the imprints Mondadori, BUR, Giulio Einaudi editore, Fabbri Editori, Frassinelli, Piemme, Rizzoli and Sperling & Kupfer. It is also a leading scholastic publisher with Mondadori Education and Rizzoli Education: art and illustrated books are published through the subsidiary Electa (formerly Mondadori Electa), which is also active in museum licensing and the organization and management of exhibitions and cultural events. Through Rizzoli International Publications, the Group is also a US and international player in the illustrated books sector.

Finally, the book business comprises the operations of Mondadori Retail, which manages the largest network of bookshops in the country, with over 500 retail outlets (operated directly and as franchises) and the e-commerce websites.

The Group is also the leading Italian main publisher of magazines, both printed and digital, with some of the best known brands in Italy: *Donna Moderna*, *Grazia*, which is also published internationally, *Chi*, *Tv Sorrisi e Canzoni*, *Giallo Zafferano*, and design, interior design, cooking and lifestyle magazines.

Through the Mondadori Media subsidiary (formerly Mondadori International Business), Mondadori is also a global player, publishing many of its brands through joint ventures, directly or through licensing agreements with international publishers.

Throughout its history that is now more than a century in the making, the Mondadori Group has remained loyal to its original mission: the dissemination of culture and ideas through innovative products, activities and services that respond to the needs and tastes of the public. In its vision, Mondadori combines a love of culture and high-quality publishing with market laws, and a propensity to foretell and anticipate change while respecting and safeguarding the values that constitute the basis of a publisher's role in civil society.

The Issuer is classified as a PMI [*Piccola Media Impresa* – small medium enterprise] pursuant to art. 1, paragraph 1, head *w-quater*.1), of the TUF [consolidated finance act] and art. 2-*ter* of the Consob Issuers' Regulation.

CHOSEN CORPORATE GOVERNANCE SYSTEM

The Issuer is a company listed on the Mercato Telematico Azionario online stock market operated by Borsa Italiana S.p.A. since 1982.

Under its Articles of Association, the Issuer has adopted the traditional organisational administration and control model as per arts. 2380-*bis et seq.* of the Italian Civil Code, which envisages a Board of Directors, a Board of Statutory Auditors and an external auditor or auditing firm.

The Board of Directors is vested with full powers of ordinary and extraordinary administration and consequently has a central role in the governance of the Company.

The Board of Directors has formed a Remuneration & Appointments Committee and a Control & Risks Committee, both with advisory and consultative functions in line with the recommendations of the Corporate Governance Code, and a Related Parties Committee pursuant to the RPT Regulation and the procedures concerning related-party transactions adopted by the Company.

The Board of Statutory Auditors monitors compliance with the law and the Articles of Association and with the principles of correct governance, with a specific focus on the adequacy and operation of the Company's organisational, administrative and accounting structure. It oversees the management of the company.

Oversight of the accounts is entrusted to an auditing firm designated by the Shareholders' Meeting.

The operation, composition and competences of the Company's governing bodies are examined in detail in this Report.

As parent company, the Issuer directs corporate and group strategies and exercises management and coordination functions pursuant to arts. 2497 *et seq.* over its subsidiary companies in the Mondadori Group.

The Issuer's corporate governance system has been developed in compliance with the Corporate Governance Code and the laws governing Italian listed companies, in accordance with international corporate governance best practice.

2. INFORMATION ON OWNERSHIP STRUCTURE

STRUCTURE OF SHARE CAPITAL. SHARE STRUCTURE AND RIGHTS

As at the date of approval of this Report, the share capital of Arnoldo Mondadori Editore S.p.A. was 67,979,168.40 euro fully subscribed and paid-up, represented by 261,458,340 ordinary shares with a par value of 0.26 euro each. Shares are issued through a central dematerialised securities depository and are traded on the Mercato Telematic Azionario (MTA – online stock market) organised and run by Borsa Italiana S.p.A., in the STAR segment for high performance stocks.

The structure of share capital at 31 December 2019 is illustrated in Table 3 attached to this Report.

Mondadori shares are registered, indivisible, and freely transferable shares which grant the right to vote at Ordinary and Extraordinary Shareholders' Meetings in accordance with law and the Articles of Association; furthermore, they grant the additional administrative and capital rights envisaged by law on shares with voting rights.

There are no other classes of shares or securities that are not traded on regulated markets.

No other securities are issued that confer the right to subscribe to newly-issued shares.

The Shareholders' Meeting of 27 April 2017 introduced a "double voting" system into the Articles of Association (pursuant to art. 127-*quinquies* of Lgs.Decree no. 58/1998), which, among other things, provides for a double voting right to be assigned to each share held by the same party for a continuous period of not less than 24 months, as from registration in the special list set up by the Company.

RESTRICTIONS ON THE TRANSFER OF SHARES

There are no restrictions on the transfer or holding of shares, nor are there any clauses for approval by the Company or other security holders regarding the transfer of shares.

MAJOR SHAREHOLDINGS

Table 3 attached to this Report illustrates the major shareholdings in excess of 5% of capital or above the materiality threshold, held directly or indirectly, as reflected in the stock ledger and in data from the notices received pursuant to art. 120 Lgs.Decree no. 58/1998 and from other available information.

Over the course of 2019, there was an increase in the market capitalisation of the Company's shares of approximately 20.5%.

SECURITIES CONFERRING SPECIAL RIGHTS

No shares have been issued that confer special control rights.

The Shareholders' Meeting of 27 April 2017 approved an amendment to art. 7 of the Articles of Association with the introduction of the "double voting" system into the Articles of Association (pursuant to art. 127-*quinquies* of the TUF), which, among other things, provides for a double voting right to be assigned to each share held by the same party for a continuous period of not less than 24 months, as from registration in the special list set up by the Company. As of the date of this Report, 139,473,750 shares representing 53.34% of the share capital and 52.22% of the voting capital were registered in the specific list, of which 139,374,650 shares had matured double voting rights.

The Issuer's Articles of Association do not contemplate shares with multiple voting rights.

EMPLOYEE STOCK OWNERSHIP: MECHANISM FOR EXERCISE OF VOTING RIGHTS

There is no specific mechanism for the exercise of voting rights that can be applied to an employee stock ownership plan.

RESTRICTIONS ON VOTING RIGHTS

There are no restrictions on the exercise of voting rights with the exception of the treasury shares held by the Company on which voting rights are suspended pursuant to art. 2357-*ter* Italian Civil Code.

SHAREHOLDER AGREEMENTS

The Board of Directors is not aware of the existence of any shareholder agreements as per art. 122 of Lgs. Decree 58/1998, regarding the exercise of the rights on shares or the transfer of shares.

CHANGE OF CONTROL CLAUSES

In December 2017, a new loan agreement was made with a pool of banks relating to the negotiation of credit facilities for a total amount of 450 million euro; as is customary for contracts of this nature, the agreement calls for the potential early repayment of shareholders should the ownership structure of the Company change. Specifically, AME is required to notify the agent bank of any event that determines a change of control of AME, within 5 business days. Within 30 business days, each bank will have the possibility to inform AME that it has cancelled its commitment relating to the credit facilities and, in that case, AME will be required to reimburse in full the share of the amounts and advances paid out by the bank in question (together with any other amount due) within 15 business days.

AUTHORISATION TO INCREASE THE SHARE CAPITAL AND PURCHASE TREASURY SHARES

In consideration of the expiration of the previous shareholder authorisation provided on 24 April 2018 and to ensure that the Board of Directors would retain the authorisation to take any opportunities for the investment and trading of treasury shares, the Shareholders' Meeting of 17 April 2019 resolved to renew the authorisation to buy back shares, pursuant to art. 2357 Italian Civil Code, for a duration expiring on the approval of the financial statements as at and for the year ended 31 December 2019. Furthermore, pursuant to art. 2357-*ter* Italian Civil Code, the Shareholders' Meeting authorised the use of treasury shares purchased, on the grounds detailed below.

The main elements of the share buyback programme authorized by the Shareholders are set out below:

1. Reasons

- ✓ to use bought-back treasury shares as consideration for the acquisition of equity investments under the Company's investment policy;
- ✓ to use bought back treasury shares to service the exercise of conversion rights or other options on financial instruments issued by the Company, subsidiaries or third parties, and to use the treasury shares for exchanges or conferrals of shares or to service extraordinary capital transactions or borrowing or incentives that involve the allotment or disposal of treasury shares;
- ✓ to carry out, directly or through brokers, investment transactions, also with a view to containing sharp swings in listed prices, normalising trading and price trends and supporting the liquidity of stock on the market, in order to promote regular trading conditions independently of the normal variations tied to market trends, all in compliance with regulations in force;
- ✓ to take any investment or divestment opportunities, when deemed to be to the strategic benefit of the Company, and in proportion to available liquidity;
- ✓ to use the treasury shares to service equity incentive plans, pursuant to art. 114-*bis* of the TUF, and programmes for the bonus issue of shares to shareholders.

2. Maximum number of shares that may be bought back

The authorisation refers to the purchase on one or more occasions of a maximum number of treasury shares – taking into account the number of shares held, directly or indirectly, in portfolio from time to time – equal to no more than 10% of the share capital.

3. Buyback procedures and information on the minimum and maximum consideration

Purchases shall be executed in compliance with (i) the combined provisions of art. 132 of Italian Lgs. Decree 58/1998 and art. 5 of Regulation (EU) No. 596/2014, (ii) art. 144-*bis* of Consob Regulation 11971/1999, (iii) European and national regulations concerning market abuse, and (iv) allowed market practice. Specifically, purchases shall be executed on regulated markets in accordance with operating procedures established in the organisation and management regulations of the markets themselves that do not allow purchase bids to be directly matched with pre-determined sales offers.

Bought back treasury shares may be disposed of through sale on regulated markets, following procedures in compliance with applicable regulations, or as consideration for the acquisition of equity investments within the framework of the Company' investment policy guidelines.

Specifically, the treasury shares may only be used (i) to satisfy the exercise of conversion rights or other options on financial instruments issued by the Company, subsidiaries or third parties at a price corresponding to the relative exercise or conversion price, and (ii) to satisfy the exercise of options allocated to beneficiaries under equity incentive plans, at the price required by the relative plan regulations.

The minimum and maximum consideration that may be paid for the buyback of shares is based on the official Arnoldo Mondadori Editore S.p.A. share price on the day before the purchase, with the floor price set at the official price less 20%, and the ceiling price set at the official price plus 10%.

In terms of purchase prices and daily volumes: purchase transactions will be performed in compliance with the conditions set forth in art. 3 of Delegated Regulation (EU) 2016/1052, specifically:

- the Company shall not purchase treasury shares at a price higher than the price of the last independent trade and the highest current independent bid, whichever is the higher, on the trading floor where the purchase is carried out;

- in terms of volumes, in any trading day the Company shall not purchase a volume higher than 25% of the average daily volume of Arnoldo Mondadori Editore S.p.A. share trading in the 20 trading days preceding the date of purchase.

Purchases relating to (a) the activity of supporting market liquidity and (b) treasury-share buybacks for the formation of a so-called stock “warehouse”, shall also be executed in compliance with the conditions established by market practices pursuant to the combined provisions of art. 180, par 1, head c) of Lgs.Decree no. 58/1998 and art. 13 of Regulation (EU) 596/2014.

Specifically, the Board of Directors may use the treasury shares (a) for sale on regulated markets, or as consideration for the acquisition of equity investments under the Company’s investment policy, or with respect to the exercise of conversion rights or other options on financial instruments issued by the Company or by third parties, provided that the price or unit value of the shares is not less than 80% of the reference price of the share in the trading session preceding each transaction; (b) to service equity incentive plans approved by the Shareholders’ Meeting, as per the relative plan Regulations.

In accordance with art. 2357, par 1 of the Italian Civil Code, buybacks shall be executed within the limits of the available “surplus reserve”, as reflected in the latest regularly-approved financial statements.

4. Duration

Authorisation to purchase treasury shares is given until the approval of the financial statements as at and for the year ended 31 December 2019, whereas authorisation to trade in treasury shares is given without time limits.

BUYBACKS EXECUTED DURING THE YEAR

On 10 June 2019, the Company announced to the market the start of a treasury share buyback programme, as per art. 5 of EU Regulation 596/2014, in application of the Shareholders’ Meeting resolution of 17 April 2019 authorising the buyback and disposal of treasury shares up to a maximum amount of 0.62% of the share capital, for the purpose of furnishing the Company over the three-year period 2019-2021 with the 1,622,581 shares needed to meet the obligations connected with the 2019-2021 Performance Share Plan approved by the same Shareholders’ Meeting, and for the continuation of the treasury share buyback programme to service the 2018-2020 Performance Share Plan and the 2017-2019 plan, in accordance with the terms and conditions set out in the respective Regulations.

As of 31 December 2019 the overall number of treasury shares held, directly or indirectly, by Arnoldo Mondadori Editore S.p.A. was 2,938,293 (1.124% of the share capital), inclusive of the 80,000 treasury shares purchased between 30 November and 2 December 2016 under the shareholder authorisation of 21 April 2016, held to service activities to support the market liquidity of stock by the specialised operator Equita Sim S.p.A. for trading on the STAR segment.

As at the date of approval of this Report, the total number of treasury shares held was unchanged with respect to 31 December 2019.

MANAGEMENT AND COORDINATION ACTIVITIES (EX ART. 2497 ET SEQ. ITALIAN CIVIL CODE)

While Fininvest S.p.A. holds a controlling share pursuant to art. 2359 Italian Civil Code, it does not exercise management and coordination activities as per arts. 2497 *et seq.* Italian Civil Code over Arnoldo Mondadori Editore S.p.A., and confines itself to financial management of its equity investment in the Company.

Arnoldo Mondadori Editore S.p.A. exercises management and coordination activities over a large number of companies in the Mondadori Group, as publicised pursuant to art. 2497-*bis* Italian Civil Code.

3. COMPLIANCE

Arnoldo Mondadori Editore S.p.A. endorses the general principles of the Corporate Governance Code (“the Code”), in the version published in July 2018, accessible to the public on the website www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm, as a reference model for its own organisational structure and corporate governance practices.

Prior to the release of the Code, certain aspects of the corporate organisational structure were already substantially in line with respect to the indications provided subsequently by the Code, while others were introduced as part of a process of gradual adjustment consistent with the specific characteristics of the Issuer’s corporate organisation.

The Company’s corporate governance system is described below, together with the the action taken or planned for alignment with each prescription of the Corporate Governance Code, with the preliminary observation that the Company has adopted the traditional administration and control model.

The Issuer will continue the analysis and adjustment process also with respect to the new version of the Corporate Governance Code.

4. BOARD OF DIRECTORS

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors was appointed by the Shareholders’ Meeting on 24 April 2018 – with a term of office of three years and thus concluding with the Shareholders’ Meeting to approve the financial statements as at and for the year ending 31 December 2020.

At the end of the reporting year, the Board of Directors was composed of fourteen directors as follows:

- 4 executive directors:

Marina Berlusconi, Chair.

Although the Chair does not hold individual management authority in the Company, she qualifies as an executive director because she works alongside the Chief Executive Officer on the development of strategies to be submitted to the Board of Directors for approval.

Ernesto Mauri, Chief Executive Officer.

Oddone Maria Pozzi, who qualifies as an executive director based on his executive positions in the Company, namely as Central Manager – Finance, Procurement & IT Systems.

Mario Resca, Chair of Mondadori Retail S.p.A. – a subsidiary operating in the retail operations and a company of strategic importance for the Group. Although Mario Resca’s position as Chair does not entail individual management authority, it does entail a role in the development of strategies relevant to the retail business.

- 10 non-executive directors, defined as such because they do not hold individual management authority or executive positions in the Company (or in companies of strategic importance to the Group), nor do they hold such positions in the parent company that may be relevant to the management of the Company:

Paolo Guglielmo Luigi Ainio

Pier Silvio Berlusconi

Elena Biffi - who is also an independent director

Francesco Currò

Patrizia Michela Giangualano - who is also an independent director

Martina Forneron Mondadori - who is also an independent director

Danilo Pellegrino

Roberto Poli

Angelo Renoldi - who is also an independent director

Cristina Rossello - who is also an independent director

Personal and professional biographies of each member of the Board of Directors can be found on the website www.mondadori.it - Governance section.

The reader is referred to Table 1 attached to this Report for full details about the composition of the Board of Directors.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The appointment and replacement of directors are regulated by current law, as enacted and, to the extent allowed, supplemented by the Articles of Association.

The provisions of art. 17 of the current Articles of Association with regard to the procedures of the list voting system used to appoint directors are set out below.

In this connection, on 27 April 2017 the Shareholders' Meeting approved amendments to some of the articles of the Articles of Association, including, in particular, Article 17. The amendment in question did not concern the procedures or requirements for submitting lists and the minimum ownership stake for the submission of lists remained unchanged at the percentage identified by the Issuers' Regulation, as established annually by Consob on the basis of the average market capitalisation of companies in the last quarter of each year. Under Consob Determination no. 28 of 30 January 2020, the current minimum ownership stake required to submit a list of candidates for Arnoldo Mondadori Editore has been set at 2.5% of its share capital.

The same minimum ownership stake of 2.5% was applicable at the time of the appointment of the Board of Directors by the Shareholders' Meeting of 24 April 2018.

Without prejudice to the list voting system, the changes referred to the appointment procedures, and provided for a "blocked lists" system in place of the previous system of quotients.

The changes guarantee that the independence requirements for directors under Lgs.Decree no. 58/1998 and current *pro tempore* regulations governing gender parity (Law 12 July 2011 no. 120) are satisfied. The latter requires that at least one-third of the members of the corporate bodies of listed companies must be made up of the "less represented gender".

One third of the members of the Board of Directors is made up of the "less represented gender" in compliance with the above-mentioned current laws on gender balance.

It is understood that the Issuer will examine adoption of appropriate amendments to the Articles of Association in compliance with Law 160/2019, ensuring that such amendments are effective as required by the terms of the entry into force of the law.

Under art. 17, paragraph 3, of the Articles of Association, in relation to the breakdown of the directors to appoint, lists that have not obtained a number of votes at least equal to half the number required for their presentation are not taken into account, as allowed by art. 147-*ter* of Lgs.Decree no. 58/1998.

The provisions of the Articles of Association regulating the composition and appointment of the Board of Directors guarantee compliance with legal requirements as per art. 147-ter of Lgs.Decree no 58/1998 and its implementing rules, as indicated in art. 17 of the Articles of Association set out below.

The Company is not subject to additional laws concerning the composition of the Board of Directors other than the provisions of the Italian Civil Code and Lgs.Decree no. 58/1998, referenced by art. 17 of the Articles of Association set out below.

Article 17 of the Articles of Association:

17.1 The Company is managed by a Board of Directors composed of seven to fifteen directors, who must meet the requirements envisaged by the applicable primary and secondary regulations and whose terms of office may also be renewed.

17.2 Before proceeding with the appointment of the members of the Board of Directors, the Shareholders' Meeting shall determine their number and term of office in compliance with the time requirements established by law.

17.3. The Board of Directors is appointed by the Shareholders' Meeting on the basis of lists containing not more than fifteen candidates, with each one being attributed a progressive number. A candidate may only be present in one list, otherwise s/he is ineligible for election. The shareholders with voting rights have the right to submit the lists, alone or together with other shareholders, when they represent at least the percentage of share capital, underwritten as of the date of submission of the list, determined and published by Consob pursuant to the regulation adopted by means of resolution no. 11971 of 14 May 1999 and subsequent changes and additions (hereinafter also "Issuer Regulation"). The ownership of the Company capital is determined by taking into account the shares that have been registered in favour of the shareholders on the day in which the list is filed with the Company, with reference to the underwritten capital as of the same date. The relevant confirmation or certification may be notified or produced also subsequent to the filing of the list, provided that it is served to the Company within the term established for the publication of the lists by the Company. The Company allows shareholders who wish to submit lists to file them by at least one remote means of communication, in accordance with the procedures that it will indicate in the notice of call for the Shareholders' Meeting, which allow identification of the filing shareholders. The interest percentage required for the submission of the lists of candidates for election to the Board of Directors is specified in the notice of call for the Shareholders' Meeting convened to deliberate the appointment of the Board. Any shareholder may not submit nor vote more than one list, either directly or through nominees or trust companies. Shareholders belonging to the same group – intended as the parent company, subsidiaries and companies under joint control – and shareholders who have adhered to a Shareholders' Agreement pursuant to article 122 Lgs.Decree 58/1998 referring to the Issuer's shares, may not submit nor vote more than one list, either directly or through nominees or trust companies. Any list that contains no more than seven candidates shall include and identify at least one candidate who meets the criteria set out in Lgs.Decree no. 58/1998 for the independent directors of listed companies (hereinafter also "Independent Directors pursuant to Lgs.Decree no. 58/1998" or "Independent Director pursuant to Lgs.Decree no. 58/1998"). Any list that contains a number of candidates exceeding seven shall include and identify at least two candidates who meet the criteria for directors set out in Lgs.Decree no. 58/1998. In order to ensure a balance in genders in accordance with current regulations, each list containing a number of candidates equal to or greater than three must provide for the inclusion of candidates of both genders, so that the less represented gender makes up at least one third, rounded up if the number is fractional, of the candidates. The lists are filed with the Company by the twenty-fifth day preceding the date scheduled for the Shareholders' Meeting on first or single call convened to deliberate the appointment of the members of the Board of Directors, and made available to the public at the Company's registered office, on the website and by other means envisaged by the applicable regulatory provisions, at least twenty-one days before the date of the Shareholders' Meeting. The lists shall include: a) information relative to the identity of the shareholders who have submitted the lists with indication of the overall percentage interest held; b) a declaration from the shareholders who have submitted the lists and other than those who hold, individually or jointly, a controlling interest or a relative majority, certifying the non-existence or the existence of relations with the latter, as per article 144-quinquies, first paragraph, of the "Issuer Regulation"; c) exhaustive information on the personal and professional characteristics of the candidates as well as a declaration by the candidates certifying that they meet the requirements envisaged by law and that they accept the candidacy, as well as the possible satisfaction of the independence requirements specified in article 148, par. 3 of Lgs.Decree no. 58/1998. The lists submitted without compliance with the afore specified provisions shall not be presented for voting. Before the vote, the Chair of

the meeting shall make reference to any declarations under letter b) above, inviting participants, who have not filed or contributed to the filing of any lists, to declare any possible relations as specified above. Should a party be having relations with one or more reference shareholders vote for a minority list, the existence of such relationship becomes relevant only if the vote is decisive for the appointment of the director. In relation to the breakdown of the directors to be appointed, the lists that have not obtained a number of votes at least equal to half the number requested for the relevant submission are not taken into account.

17.3-bis If several lists have obtained the percentage of votes required pursuant to the paragraph above, the directors shall be elected as follows: a) the number of candidates in the list that has obtained the highest number of votes elected to the office of director shall be: (i) the number of directors to be elected with the exception of the last, in the progressive order of the list, or (ii) the number indicated in the same list when their number is lower than the number of directors to be elected; b) also elected is the remaining director – or the higher number of directors in the case set out in point (ii) above – from the list that is second in terms of the number of votes obtained and is not connected, directly or indirectly, with the the shareholders that submitted or voted for the list that obtained the highest number of votes. If more than one director is selected from the second list, the candidates indicated therein shall be elected in the progressive order in which they are listed. If two or more lists have obtained an equal number of votes, the one presented with the highest share of capital will prevail, or, in the event of a tie, the one with the largest number of shareholders. The first ranking candidate in the list that has obtained the highest number of votes shall be appointed Chair of the Board of Directors. If the minimum number of independent directors as provided by law and regulations are not elected from the majority list pursuant to Lgs.Decree 58/1998, the elected candidate will be not the candidate in the first place of the second list in terms of the number of votes obtained, but the first candidate, in progressive order on that list, who meets the aforementioned independence requirement. If following the completion of the voting and the above procedures, the composition of the Board of Directors is not in line with the applicable laws regarding gender balance, as many elected candidates as necessary will be excluded from among those who are last in order of preference on the majority list, and replaced with candidates with the necessary gender characteristics taken from the same list in the progressive order in which they are listed, provided the minimum number of independent directors pursuant to Lgs.Decree 58/1998 as required by the provisions applicable from time to time are elected. If the procedures set forth in the previous paragraphs of this section 3-bis do not provide the result required with regard to Independent Directors pursuant to Lgs.Decree 58/1998 and/or to gender balance, the replacement shall take place by shareholder resolution carried with a relative majority, following presentation of candidacies of individuals who meet the independence requirements or who belong to the less represented gender.

17.4 Should only one list be presented, the Shareholders' Meeting shall express its vote on that list; if that list obtains the majority required by articles 2368 et seq. Italian Civil Code, the candidates listed in progressive order shall be elected directors until the number of directors established by the Shareholders' Meeting has been met. The candidate indicated as first in the list is appointed Chair of the Board of Directors. If by this process for the appointment of a Board of Directors the regulatory provisions concerning independent directors and/or gender balance are not satisfied, the procedure outlined in paragraph 3-bis above of this article shall be adopted.

17.5 In the absence of lists or if no person obtains the percentage of votes indicated under par. 3 above of this article or if through the list voting procedure the number of candidates elected is lower than the number established by the Shareholders' Meeting, the Board of Directors shall be respectively appointed or supplemented by the Shareholders' Meeting according to the majorities established by law.

17.6 In the event that one or more directors cease to hold office for whatever reason, the remaining directors shall replace them by co-opting new directors pursuant to art. 2386 Italian Civil Code, subject to the obligation to ensure the minimum number of Independent Directors pursuant to Lgs.Decree 58/1998 and the applicable provisions with regard to gender balance. In particular: a) if the outgoing director was selected from a list containing names of candidates that were not elected, the Board of Directors shall effect the substitution by appointing, in progressive order, the first candidate who was not elected from the list of the outgoing director, provided (i) the candidate can be elected at the given time and is willing to take on the office and (ii) the provisions applicable from time to time regarding gender balance are complied with; b) if the outgoing director is an Independent Director pursuant to Lgs.Decree 58/1998, the Board of Directors shall effect the substitution by appointing, to the extent possible, the first of the independent candidates who were not elected from the list of the outgoing independent director, provided that the provisions applicable from time to time regarding gender balance are complied with; c) if no previously unelected candidates from the aforementioned list remain, or the procedures for replacement do not allow for compliance with the minimum number of Independent Directors established pursuant to Lgs.Decree 58/1998 or with the laws applicable from

time to time regarding the less represented gender, or if, at the time of election, no lists were submitted, the Board of Directors shall replace the outgoing directors without observing the provisions set forth under points a) and b) above, in compliance with the regulations applicable from time to time regarding independent directors and gender balance. The appointment, by the shareholders, of directors to replace outgoing directors, including co-opted directors, is made freely with the legal majority, without prejudice to the obligation to comply with the minimum number of independent directors pursuant to Lgs.Decree 58/1998 and current provisions concerning gender balance.

The appointment of the members of the Board of Directors by the Shareholders' Meeting of 24 April 2018 was on the basis of the lists presented, pursuant to art. 17 of the Articles of Association and in compliance with current laws and regulations, as follows: one by the majority shareholder Fininvest S.p.A., owner of an interest of 53.299% of the share capital for a total of 139,355,950 share, and the other by a shareholder grouping of asset managers and institutional investors, holding a total of 8,065,686 shares representing 3.084% of the share capital.

The lists in question were accompanied by the declarations of the individual candidates attesting the non-existence of causes of ineligibility and incompatibility and the existence of the requirements for the assumption of office, and by a *curriculum vitae* setting out personal and professional characteristics and, where relevant, indicating their qualification as independent pursuant to the Corporate Governance Code and art. 147-ter of Lgs.Decree no. 58/1998 and current regulations.

No formalised succession plans are provided for the executive directors since the provisions of law and the Articles of Association for the appointment and renewal of the Board of Directors – also taking into account the composition of the Board of Directors and the powers assigned – are deemed to be adequate.

FUNCTIONS AND ACTIVITIES OF THE BOARD OF DIRECTORS

The system of attribution of powers is such as to maintain, within the corporate organisation, the central role of the Board of Directors, which, in accordance with the Articles of Association, is attributed full powers for the ordinary and extraordinary management of the Company, except for those powers reserved absolutely by law exclusively for the Shareholders' Meeting, and which oversees the functions and the responsibility for determining the strategic and organisational direction of the Company and the Group.

Specifically, the Board of Directors, in accordance with the provisions of the Corporate Governance Code:

- examines and approves the general outline of the plans proposed by the Chief Executive Officer regarding the industrial and financial strategy of the Company and Group, and ensures that they are implemented;
- examines and approves the corporate governance system of the Company and the structure of the Group;
- with the support and counsel of the relevant Committee, establishes the guidelines of the internal control and risk management system, determining the compatibility of such risks with management consistent with the strategic objectives, and taking into account the risks that could become significant with regard to the sustainability of operations over the medium-long term; at least once a year, assesses the adequacy and effectiveness of the internal control and risk management system as it relates to the Company's characteristics and risk profile;
- at least once a year, and after consulting with the Board of Statutory Auditors and the Director in charge of the internal control and risk management system, approves the action plan prepared by the director in charge of the internal control and risk management system;

- appoints and revokes the Head of the Internal Audit function as proposed by the director in charge of the internal control and risk management system, after obtaining the favourable opinion of the Control & Risks Committee and consulting with the Board of Statutory Auditors. With the support of the Control & Risks Committee, it also verifies that the Internal Audit function is provided with the adequate resources to carry out its responsibilities;
- after consulting with the Board of Statutory Auditors, evaluates the findings set out by the external auditor in any qualified opinion letter and in its report on the fundamental questions that emerged during the statutory audit;
- with the preliminary support of the Control & Risks Committee, evaluates the adequacy of the administrative and accounting organisational structure of the Company and strategically significant subsidiaries, with particular reference to subsidiaries that are significant for consolidation purposes under the criteria set out in art. 165 of Lgs.Decree no. 58/1998;
- attributes and revokes the powers of the Chief Executive Officer, determining their limits and exercise, and, on a proposal of the Remuneration & And Appointments Committee and after consultation with the Board of Statutory Auditors pursuant to art. 2389 Italian Civil Code, determines the remuneration of the Chief Executive Officer and the other directors with special responsibilities;
- using the information it receives from the Chief Executive Officer on at least a quarterly basis, it assesses general operating performance, including a comparison between actual results and projections;
- approves in advance all Company transactions with material impact on business performance, financial position and cash flow.

Specifically, a Board resolution has determined that the following types of transactions be considered to be of material impact, and that their examination and approval be exclusively reserved to the Board of Directors:

- acquisitions, conferrals and sales of equity investments;
- acquisitions, conferrals and sales of companies or company divisions;
- acquisitions, conferrals and sales of real estate;
- definition of joint venture agreements;
- the issue of personal guarantees or collateral to third parties by Arnoldo Mondadori Editore S.p.A., in its own interest or in that of its subsidiaries, for amounts over 20 million euro;
- investments in property, plant and equipment of greatest strategic importance and in any case, investments in excess of 5 million euro for each single investment.

The Board of Directors examines and approves in advance all transactions that have a material strategic impact on the business performance, financial position and cash flow of the Company and its subsidiaries.

The transactions pertaining to subsidiaries that must be submitted for approval to the Board of Directors of Arnoldo Mondadori Editore S.p.A. are classified as material on the basis of subject and value.

Specifically, the following transactions pertaining to subsidiaries are identified as material:

- acquisitions, conferrals and sales of equity investments;
- joint venture agreements;
- acquisitions, conferrals and sales of companies or company divisions;
- acquisition and sale of real estate;
- investments in property, plant and equipment of greatest importance to the Group;
- taking on of loans, issue of personal guarantees or collateral;

in the event that one or more of the following criteria apply:

- a) the transactions qualify as liable to significantly influence the share price pursuant to Lgs.Decree 58/1998, and as such are subject to mandatory disclosure to the market;
- b) the transactions have a material impact on the Company's business performance, financial position and cash flow.

Specifically, any transaction of the types listed above with a value of more than 15 million euro in terms of total amount or consideration paid, qualifies as having a material impact on the Company's business performance, financial position and cash flow.

In 2019, the Board of Directors held 7 meetings, which were regularly attended by the Board of Statutory Auditors. Each meeting lasted, on average, 2 hours. All the meetings were attended by the Legal & Corporate Affairs Manager. The meetings of the Board of Directors were attended by the Head of the Internal Audit Function as a member of the Supervisory & Oversight Body, to report on the measures taken to guarantee the fitness for purpose of the internal control and risk management system.

Table 1 attached to this Report indicates the attendance rate at the meetings of each director.

With regard to the meetings of the Board of Directors planned for 2020, as of the time of writing, 2 meetings had been held and the following additional meetings are planned, as per the published corporate calendar¹:

- 14 May 2020 (examination of the interim report on operations as at 31 March 2020);
- 30 July 2020 (examination of the half-year financial report as at 30 June 2020);
- 10 November 2020 (examination of the interim report on operations as at 30 September 2020).

The Articles of Association do not indicate a minimum frequency for Board meetings.

On the initiative of the Chief Executive Officer or at the request of the directors, the Chair may ask Company or subsidiary heads of division and, as applicable, consultants, to report at Board meetings in order to bring specific issues of their specific divisions to the directors' attention and deepen their understanding of Company situations and dynamics.

The Chief Executive Officer also ensures that the managers of the business divisions that may have an interest in the items on the agenda be available to intervene at Board meetings if required.

Induction programme

At its meetings over the course of 2019, the Board of Directors discussed the main issues relating to the operations of the Mondadori Group and the performance of the Company. The meetings provided the participants (directors and auditors) with sufficient knowledge about the Company's sector of activity, the company dynamics, the principles of correct risk management and the relevant laws and regulations.

The Issuer intends to organise, with greater frequency, events and training sessions also covering the following topics: Stakeholder engagement; Sustainability; Digital evolution; Information & Technology; analysis of key markets with a special focus on the international dimension and the latest legislation and regulations. All this consistently with the results of the Board's self-assessment process, summarised in a specific section of this Report.

¹ The Company is required to draw up and publish quarterly results by virtue of its inclusion since 29 November 2016 in the STAR Segment. Should it leave the STAR Segment, quarterly reporting would be optional.

CORPORATE OFFICERS

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is invested with full operational management authority, except for issues falling under the exclusive authority of the Board of Directors, as described and listed in the previous section “Functions and activities of the Board of Directors”.

The Chief Executive Officer reports periodically to the Board of Directors and the Board of Statutory Auditors at their meetings, and in any case at least on a quarterly basis, as required under art. 2381 Italian Civil Code and with regard to the main activities performed in the exercise of his powers; in particular, he reports on any atypical or unusual transactions or transactions with related parties, approval of which is not reserved to the Board of Directors.

CHAIR OF THE BOARD OF DIRECTORS

In accordance with the Articles of Association, the Chair of the Board of Directors, who does not hold individual management powers, legally represents the Company before third parties and in court. The Chair works alongside the Chief Executive Officer on the development of business strategies to be submitted to the Board of Directors for approval.

EXECUTIVE COMMITTEE

No “Executive Committee” has been formed.

NOTICE OF MEETING

The Chair of the Board of Directors calls and coordinates the meetings of the Board of Directors; to ensure informed participation, the documentation on the items on the agenda is usually sent to directors and auditors before the meeting, through the offices of the secretary to the Board and the Legal & Corporate Affairs Division, and an average of three days’ notice is given, which is deemed adequate, subject to cases of urgent necessity.

In 2019 the term deemed adequate was usually complied with, except in exceptional circumstances where, after careful analysis, notice of the meeting was extended or brought forward, without adversely affecting the completeness of the information to enable the board to operate effectively and in an informed manner.

In cases when it is not possible to provide three days’ notice due to specific necessity or urgency, the Chair ensures that adequate and precise details are provided during the meetings and, as happens as a general rule when the term is met, the documentation on more complex matters is accompanied by a summary highlighting the most significant questions to ensure that resolutions are carried on an informed basis.

During the meetings of the Board of Directors, details and full discussion of the items on the agenda are always ensured, to permit an informed decision to be made on the various questions.

The self-assessment process of the Board of Directors for 2019 delivered an extremely positive conclusion, consistently with the previous self-assessments conducted with the support of the Egon Zehnder International S.p.A. company.

On the initiative of the Chief Executive Officer or at the request of the directors, the Chair may ask Company or subsidiary heads of division and, as applicable, consultants, to report at Board meetings in order to bring specific issues of their specific divisions to the directors’ attention and deepen their understanding of Company situations and dynamics.

The Chief Executive Officer also ensures that the managers of the business divisions that may have an interest in the items on the agenda be available to intervene at Board meetings if required.

NON-EXECUTIVE DIRECTORS

Thanks to their authoritative knowledge and specific expertise, the non-executive directors make an important and qualified contribution to the resolutions adopted by the Board of Directors.

INDEPENDENT DIRECTORS

At the first meeting of the Board currently in office following its appointment, it was ascertained that the directors listed below satisfied the independence requirements, based on the information provided by each director upon his or her nomination as a candidate and upon acceptance of the appointment:

Elena Biffi

Patrizia Michela Giangualano

Martina Forneron Mondadori

Angelo Renoldi

Cristina Rossello

Ascertainment of the independence requirements is repeated on an annual basis, with particular reference – except as indicated below with regard to the requirement for a term in office not exceeding nine years in the last 12 years – to all the criteria in the Code, which qualifies as independent directors who do not have nor have recently had, directly or indirectly, relations with Arnoldo Mondadori Editore S.p.A. or parties connected to Arnoldo Mondadori Editore S.p.A. such as to affect their independence of judgement; for example:

- a) they do not control the Issuer nor are able to exercise notable influence over it, nor are members of a shareholder agreement through which one or more parties can exercise control or notable influence over the Issuer, directly or indirectly through subsidiaries, trust companies or third parties;
- b) they are not nor have been in the previous three financial years a prominent representative* of the Issuer, of a strategic subsidiary of the Issuer or of a company under joint control with the Issuer, or of a company or entity that alone or together with others through a shareholder agreement controls the Issuer or is able to exercise a notable influence over it;
- c) they do not have, nor have had over the previous financial year, a significant business, financial or professional relationship – directly or indirectly (for example, through subsidiaries or companies of which they are a prominent representative or as a partner in a professional service firm or consulting firm):
 - with the Issuer, a subsidiary of the Issuer or any of prominent representatives thereof;
 - with a party who alone or jointly with others through a shareholder agreement controls the Issuer, or with prominent representatives of a company or entity;they are not nor have been in the three previous financial years an employee of one of the above-mentioned parties;
- d) they do not receive, nor have received over the previous three financial years, a significant remuneration from the Issuer, a subsidiary or a parent company of the Issuer – including participation in performance-based and/or share-based incentive plans – in addition to their “fixed” emolument as a non-executive director of the Issuer;
- e) they have not been a director of the Issuer for more than nine years out of the last twelve years;

- f) they do not hold the position of executive director in any company in which an executive director of the Issuer holds a directorship;
- g) they are not a partner or director of a company or entity belonging to the network of the company engaged to audit the Issuer's financial accounts;
- h) they are not an immediate family member of a person in one of the circumstances referred to above.

* The term "prominent representative" of a company or entity indicates: the president of the entity, the legal representative, the chair of the board of directors, the executive directors and the key personnel of the company or entity in question.

The Board of Directors confirmed the independent status of the directors Martina Forneron Mondadori and Angelo Renoldi, despite their lacking one of the requirements laid down in the Code, namely a term in office that may not be more than nine years out of the last twelve years.

The confirmation was based on the recognition of the professional qualities, experience and independence of judgement shown in their activities on the Board and the fact that they met the other independence requirements envisaged by the Code.

The independence of the directors is assessed periodically by the Board of Directors, and the Board of Statutory Auditors verifies the correct application of the criteria adopted by the Board to ascertain the independence of the directors during the year.

The number and competences of the independent directors are adequate for the size of the Board and the activities of the Company, and permit the formation of Board Committees, described in the following sections.

The following table lists the positions held by the current members of the Board of Directors of Arnoldo Mondadori Editore S.p.A. as director or statutory auditor in other listed companies as well as in financial companies, banks, insurance companies, or in other large companies, and, for the purposes of completeness, any other offices held in companies other than the aforementioned, including offices held within the Mondadori Group.

Board of Directors	Positions held by directors in other listed companies, as well as in financial companies, banks, insurance companies, or in other large companies
Marina Berlusconi	Chair of Fininvest S.p.A. Director of Mediaset S.p.A.
Ernesto Mauri	Chair of Mondadori Libri S.p.A. Director of Mondadori Retail S.p.A. Deputy Chair of Mediamond S.p.A. Chair of Audipress S.r.l.
Paolo Guglielmo Luigi Ainio	Chair of ePRICE S.p.A. Chair of ePRICE Operations S.r.l. Director of Pups S.r.l. Chair of il Post S.r.l. Director of P19 S.r.l. Director of Installo S.r.l.
Pier Silvio Berlusconi	Deputy Chair and Chief Executive Officer of Mediaset S.p.A. Chair and Chief Executive Officer of R.T.I. S.p.A. Director of Publitalia '80 S.p.A. Director of Fininvest S.p.A.

Francesco Currò	
Elena Biffi	Director of FincoBank S.p.A.
Patrizia Gianguialano	Director of Astm S.p.A. Director of Sea S.p.A. Director of Epta S.p.A.
Martina Forneron Mondadori	
Danilo Pellegrino	Chair of ITeatro Manzoni S.p.A. Chair of ISIM S.p.A. Chief Executive Officer of Fininvest S.p.A. Director of Mediaset S.p.A. Chair of Alba Servizi Aerotrasporti S.p.A. Director of A.C. Monza S.p.A.
Roberto Poli	Director of FIMITA S.r.l. Director of Fininvest S.p.A. Director of Coesia S.p.A. Director of Praesidium SGR S.p.A. Director of the San Raffaele Hospital Chair of the Board of Istituto Ortopedico Galeazzi S.p.A. Director of Compagnia Generale Trattori CGT S.p.A. Director of Tesa S.p.A.
Oddone Maria Pozzi	Director of Attica Publications SA Deputy Chair of Mondadori International Business S.r.l. Director of Mondadori Libri S.p.A. Director of Giulio Einaudi editore S.p.A. Director of Mondadori Electa S.p.A. Director of Mondadori Education S.p.A. Director of Mediamond S.p.A. Director of Mondadori Retail S.p.A. Director of Mondadori Scienza S.p.A. Director of Direct Channel S.p.A. Director of Rizzoli Education S.p.A. Director of Rizzoli International Publications Inc. and Rizzoli Bookstores Inc. Director of Società Europea di Edizioni S.p.A. (since 18 April 2019)
Angelo Renoldi	Chair of Mediolanum Assicurazioni S.p.A. Chair of Mediolanum Vita S.p.A.
Mario Resca	Chair of Mondadori Retail S.p.A. President of Confimprese Chair of Confimprese Servizi S.r.l. Private Equity Fund Advisor at Ergon Capital Investment Director of Visionnaire Director of Sausalitos Holding GmbH Director of Fabbrica Servizi Veneranda Fabbrica del Duomo S.r.l. Director of IPE S.p.A. Chair of CBI S.p.A.
Cristina Rossello	Director of Spafid S.p.A. Director of Spafid Family Office SIM S.p.A. Director of Branca International S.p.A. Director of Branca Real Estate S.r.l. Director of Fratelli Branca Distillerie S.r.l. Director of Centro Studi Fratelli Branca S.r.l.

Specific guidance is not provided with respect to the maximum number of directorships or auditorships that members of the Board of Directors may hold in the companies in the categories indicated above; this assessment is the responsibility of the individual director when accepting an appointment.

This position is also formulated with reference to the application criteria of the Code relating to the Board of Directors, which recommend that directors accept an appointment only when they deem they can devote the necessary time to the diligent performance of their duties, taking into account, among other things, their own professional and business-related commitments, the number of positions they hold as directors or statutory auditors in other listed companies and in financial companies, banks, insurance companies and other large companies.

LEAD INDEPENDENT DIRECTOR

In line with the recommendations of the Corporate Governance Code, the Instructions and Stock Market Regulation, on 24 April 2018 the Board of Directors confirmed the figure of the Lead Independent Director as the point of reference and coordination of the petitions and contributions of the independent directors and, in general, of the non-executive directors.

With the unanimous approval of the directors, the independent director Cristina Rossello was confirmed as Lead Independent Director, holding office until the mandate of the Board of Directors ends.

The Lead Independent Director:

- collaborates with the Chair of the Board of Directors to ensure the good operation of the Board and guarantee that the directors receive complete information in a timely manner;
- where necessary, uses the corporate structures for the discharge of the duties assigned and collaborates with the Secretary of the Board of Directors;
- calls, independently or at the request of other directors, meetings to be attended by independent directors only on issues regarding the operation of the Board of Directors or the corporate governance system;
- is the liaison and coordinator for petitions and contributions from non-executive directors and, in particular, from independent directors, within the Board of Directors.

During 2019, the Independent Directors Committee examined:

- the updating of compliance activities with regard to the Company's compliance with new laws;
- on a preparatory level, a number of issues subsequently analysed by the Board of Directors.

SELF-ASSESSMENT OF THE BOARD OF DIRECTORS

In 2019, the Board of Directors performed the self-assessment through a questionnaire for each member of the Board of Directors to fill in.

This maintained the annual frequency of the self-assessment process.

The questions were formulated so as to permit full assessment by the directors of the operation and efficiency of the Board of Directors and Board Committees of Mondadori, as well as their size and composition, as envisaged by the Corporate Governance Code.

The questionnaire also took account of the recommendations formulated by the Corporate Governance Committee in December 2019, and the final section offered each director the opportunity to compare their contribution with their experience in other Boards of Directors.

The data were examined guaranteeing the confidentiality of each director and presented in an anonymous and consolidated form, as a report on the findings and suggestions of the Board as a whole.

The outcomes of the self-assessment process are reported in brief below.

The self-assessment was conducted with the participation of a significant number of directors.

The first impressions were positive for all the main aspects under assessment, consistently with the previous self-assessment, with no critical elements or issues of note to be brought to the attention of the Board.

In general appreciation was shown, from both a qualitative and a quantitative view, of the Board's experience, skills and representativeness of diversity, and for the operation of the Board, in terms of the efficiency and effectiveness of the decision-making process.

The advisability emerged of intensifying training and induction opportunities for the directors, particularly with regard to: Stakeholder engagement; Sustainability; Digital evolution; Information & Technology; analysis of key markets with a special focus on the international dimension and the latest legislation and regulations.

5. TREATMENT OF CORPORATE INFORMATION

MANAGEMENT AND DISCLOSURE TO THE MARKET OF SIGNIFICANT AND INSIDER INFORMATION

On 13 November 2019, following the amendments introduced by Consob to bring Italy's secondary legislation into line with European laws governing market abuse (EU Reg. no. 596/2014 Market Abuse Regulation/MAR), the Board of Directors approved the new Procedure on Significant and Insider Information, which replace the procedure introduced on 28 July 2016.

The Procedure assigns responsibility for managing and applying the Procedure to the Central Manager Finance, Procurement and IT Systems, who, as applicable, is assisted by the Central Finance, Procurement & IT Systems Division (Legal & Corporate Affairs Division, M&A Function and Investor Relations Function) and by the Communication & Media Relations Division, as well as by other functions involved in relation to the contents and type of information.

The Procedure aims to:

- regulate the ways in which corporate documents and information concerning Arnoldo Mondadori Editore S.p.A. are monitored, managed and circulated within the Company, based on confidentiality criteria, especially with regard to significant and insider information;
- regulate the ways in which insider information is disclosed to the market and the public, in accordance with applicable laws and regulations;
- regulate the creation and maintenance of the registers of persons with access to significant and insider information.

The procedure is published on the website www.mondadori.it – Governance section.

INTERNAL DEALING

The procedures for the management and communication of documents and information on the Company include the Internal Dealing procedure adopted by the Board of Directors on 8 February 2018 after the entry into force of the new Market Abuse Regulation introduced by Regulation (EU) no. 596/2014.

This procedure concerns disclosure obligations to Consob, the Company, and the public regarding transactions on financial instruments issued by the Company, derivatives and related financial instruments carried out by members of the Board of Directors, the Board of Statutory Auditors, other managers identified as relevant persons who have regular access to insider information and have the power to make decisions that could influence the future growth and outlook of the Company, and people closely associated with them.

The Internal Dealing Procedure: (i) identifies the individuals who are required to make internal dealing disclosures; (ii) provides these individuals with information on their identification, related obligations and the terms and conditions for fulfilment of the disclosure obligations; (iii) identifies the company department (Legal & Corporate Affairs Division) in charge of receiving, managing and disclosing to the market the above information, filing the communications received and made pursuant to these disclosure obligations, and establishing and updating the Internal Dealing Register.

BLACK-OUT PERIODS

To ensure uniformity of conduct, the Internal Dealing Procedure includes prohibitions on the execution by relevant persons of transactions on financial instruments subject to disclosure in the 30 days before the Board of Directors meets to examine the full-year figures, the half-year figures and the quarterly figures² until such data have been released to the market.

The Board of Directors reserves the right to allow the individuals identified as relevant persons under the procedure to carry out all or some transactions on significant financial instruments during a blackout period, provided the circumstances and terms and conditions applicable to derogation from the procedure are satisfied.

6. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS

INTRODUCTION

To facilitate the operation of the Board of Directors, a Remuneration & Appointments Committee and an Internal Control & Risks Committee have been formed, as recommended by the Corporate Governance Code. In addition, a Related Parties Committee has been formed in compliance with the Consob Regulation that governs transactions with related parties. With regard to the Remuneration & Appointments Committee, in 2012, in view of the Company's organisational requirements, the Board of Directors grouped appointment and remuneration powers under a single committee (the Remuneration & Appointments Committee).

There are no committees with fewer than three members, and the work of each committee is coordinated by a Chair.

The duties and functions of each committee are established under a resolution of the Board of Directors. Minutes of the committee meetings are kept by the secretary. In pursuing its activities, the committee has access to all the corporate units and functions necessary to carry out its duties.

Although the Board of Directors has not approved a specific budget for each committee, the committees have access, from time to time, to the financial resources they need to perform their duties.

REMUNERATION & APPOINTMENTS COMMITTEE

The Remuneration & Appointments Committee is composed of three non-executive and independent directors:

Angelo Renoldi - Chair - non-executive and independent director

Elena Biffi - non-executive and independent director

Cristina Rossello - non-executive and independent director

The members of the Remuneration & Appointments Committee were appointed by a resolution of the Board of Directors on 24 April 2018 with a term of office ending with the expiry of the directors' mandate, that is until approval of the financial statements as at and for the year ending 31 December 2020 unless

² Arnoldo Mondadori Editore S.p.A. is required to draw up and publish quarterly results by virtue of its inclusion since 29 November 2016 in the STAR Segment. Should it leave the STAR Segment, quarterly reporting would be optional.

otherwise decided. They possess consolidated professional competences in the field, and appropriate knowledge and experience in financial matters and remuneration policy.

In 2019 the Committee held 4 meetings, each duly minuted, which, at the invitation of the Committee, were attended by the Chair of the Board of Statutory Auditors. The average duration was 1.5 hours.

The attendance rate at the meetings for each member of the Committee is shown in table 1 of the annexes.

The meetings covered:

- the medium/long-term incentives plan (for the three years 2018-2020);
- approval of the Remuneration Report for financial year 2019;
- the start-up of the 2019-2021 Rolling Performance Share Plan;
- an update from the Personnel Manager on actual application of the Remuneration Policy financial year 2019 in the first half of 2018;
- an extraordinary meeting to discuss assignment of a one-off extraordinary bonus on in relation to the sale of Mondadori France;
- considerations on the voting patterns of the Funds and the Proxy at the 2019 Shareholders' Meeting;
- an update on actual application of the 2018 Remuneration Policy in the second half;

On 24 April 2018, the Board of Directors conferred the Remuneration & Appointments Committee with the following functions and duties, confirming those conferred in the previous mandate:

- to advise and make recommendations to the Board of Directors on remuneration policies for directors and key management personnel (covered by the Remuneration Report, pursuant to art. 123-ter of Lgs.Decree no. 58/1998) and regular checks – in conjunction with the Central Group Human Resources & Organization Division – to ensure that the Remuneration Policy is being implemented in compliance with its principles, with findings reported to the Board of Directors;
- to make recommendations to the Board of Directors regarding the remuneration of directors holding key positions (e.g. Chair, Chief Executive Officer, Executive Directors and Directors on committees);
- to present to the Board of Directors the initiatives undertaken by the Committee to identify and lay down corporate guidelines aimed at retaining and motivating management personnel;
- to make recommendations on the implementation of incentive plans granting financial instruments established by the Shareholders' Meeting in accordance with art. 114-bis Lgs.Decree no. 58/1998;
- to express opinions to the Board of Directors on the size and composition of the Board and the professional figures whose presence on the Board would be appropriate, and on any limitations on the number of other positions a Board member may hold;
- to propose new candidates for the position of director to the Board of Directors, in the event of an appointment by co-optation to replace an independent director.

The Remuneration & Appointments Committee has access to all the corporate information and functions necessary to carry out its duties.

With regard to operating procedures, the Committee members meet and act collectively any time the Chair deems it necessary, or at the request of the other members, and in any case with the necessary frequency to perform its functions.

Committee resolutions are carried by a simple majority and are recorded in a report signed by all of the members participating in the meeting and by the Chair of the Board of Statutory Auditors, who attends the meetings without voting rights.

As recommended by the Code, in relation to the proposed functions assigned to it by the Board of Directors, the Committee deliberates in the absence of those directly involved.

Specifically, a director will refrain from participating in Committee meetings in which their remuneration package is being discussed for proposal to the Board of Directors.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

With the advice and recommendations of the Remuneration & Appointments Committee, the Board of Directors has examined and approved guidelines for a general remuneration policy for Directors and Key Management Personnel.

Remuneration Policy guidelines

In general terms and in accordance with the governance model adopted by the Company, market best practice, and the recommendations of the Corporate Governance Code, the Remuneration Policy is drawn up with a view to attracting, motivating and retaining people with the professional skills needed for the Group's growth and to ensuring the delivery of strategic Company objectives for the creation of sustainability value in the medium/long-term, to the benefit of the shareholders and key stakeholders.

As such, the priority of the policy is to maintain a close link between remuneration and performance, in both the short and the long term, as the key factor in ensuring that the interests of management are aligned with those of the shareholders, for the continuous improvement of both individual and company performance.

Accordingly, the Company's remuneration policy envisages differentiated components of remuneration, in line with the following criteria:

- a correct balance between the fixed and variable components of both short-term and medium/long-term remuneration;
- pre-determined measurable performance objectives;
- maximum and minimum limits for variable MBO and LT remuneration components;
- alignment between remuneration received and creation of value, over time, for the shareholders;
- clear definition of the possibilities for derogation.

Implementation of the Remuneration Policy

In compliance with the above principles and guidelines established by the Board of Directors, implementation of the Remuneration Policy is the responsibility of the Board of Directors with regard to remuneration of the executive directors and other directors with special powers, and of the Chief Executive Officer, assisted by the Group Central Human Resources & Organisation Division, with regard to remuneration of key management personnel.

The Group Central Manager Human Resources & Organisation reports to the Remuneration & Appointments Committee on the implementation of the Policy.

In light of the findings of the report, the Remuneration & Appointments Committee monitors and verifies that the implementation of the Policy respects the principles set, and reports on this to the Board of Directors.

Compensation plans based on financial instruments

With regard to compensation plans based on financial instruments, to be submitted to the approval of the Shareholders' Meeting pursuant to art. 114-*bis* of Lgs.Decree no. 58/1998 and eventually subject to specific disclosure to the market in compliance with the applicable laws, the details and application methods are defined by the Board of Directors with the advice and recommendations of the Remuneration & Appointments Committee, and in line with the risk profile of the Company; reference is made to the general principles of: (i) consolidation of the process for creating sustainable value for the Company and Group in the medium-long term, and for incentivising and retaining management through definition of the terms of duration and multi-year vesting; (ii) assignment or exercise of financial instruments subject to attainment of pre-defined and measurable company and/or market performance objectives; (iii) conditions on beneficiaries' tenure with the company.

With reference to the Performance Share Plans approved by the Shareholders' Meeting on the proposal of the Board of Directors as from 2017 (and rolling plans as from 2018), a description is provided in the documents published pursuant to art. 84-*bis* of the Issuers' Regulation and posted on the website www.mondadori.it - Governance section.

The Shareholders' Meeting convened on first call for 22 April 2020 (and if necessary for 20 May 2020 on second call) will be asked to adopt a resolution approving the 2020-2022 Performance Share Plan (third cycle rolling plan), reserved for the CFO—executive director, and selected Company managers.

For a description of the Plan, reference should be made to the document published pursuant to art. 84-*bis* of the Issuers' Regulation and posted on the website www.mondadori.it – Governance section.

Referral to the Remuneration Report

The aforementioned guidelines to the Remuneration Policy were developed and adopted under the Report on Remuneration Policy and Compensation Paid as envisaged by art. 123-*ter* of Lgs. Decree no. 58/1998, which was approved by the Board of Directors on the proposal of the Remuneration & Appointments Committee and is available available on the authorised storage mechanism 1INFO and on the company website www.mondadori.com - Governance section (to which reference should be made for full details).

In accordance with art. 123-*ter* of the TUF, the Policy is valid for 2020 and is presented for the approval of the Shareholders' Meeting on an annual basis.

The first section of the Report is presented for a binding resolution of the Shareholders' Meeting called for 22 April 2020 (and if necessary for 20 May 2020 on second call) to approve the financial statements as at and for the year ended 31 December 2019. The second section of the Report is presented for a non-binding resolution of the Shareholders' Meeting called for 22 April 2020 (and if necessary for 20 May 2020 on second call) to approve the financial statements as at and for the year ended 31 December 2019.

RELATED PARTIES COMMITTEE

The Related Parties Committee is composed of three non-executive and independent directors:

Angelo Renoldi - Chair non-executive and independent director

Elena Biffi - non-executive and independent director

Cristina Rossello - non-executive and independent director

The members of the Related Parties Committee were appointed by resolution of the Board of Directors on 24 April 2018, and will remain in office until the end of the Board's term, that is until the Shareholders' Meeting called to approve the financial statements as at and for the year ending 31 December 2020, unless otherwise deliberated.

Detailed information about transactions with related parties in financial year 2019 is provided in the Directors' Report on Operations and in the explanatory notes on the separate financial statements and the consolidated financial statements in the Annual Report as at 31 December 2019 available on the website www.mondadori.it - Governance section.

The Related Parties Committee held 1 meeting in 2019.

The attendance rate at the meetings for each member of the Committee is shown in table 1 of the annexes.

7. CONTROL & RISKS COMMITTEE

The Board of Directors has set up a Control & Risks Committee composed of three non-executive independent directors who, in the Board's opinion, possess appropriate accounting, financial and risk management experience.

The members of the Control & Risks Committee are:

Cristina Rossello - Chair - non-executive and independent director

Angelo Renoldi - non-executive and independent director

Patrizia Michela Gianguialano - non-executive and independent director

The members of the Control & Risks Committee were appointed by the Board of Directors on 24 April 2018 with a term of office until the expiry of the Board's mandate unless otherwise deliberated.

The Control & Risks Committee performs advisory and recommendatory functions for the Board of Directors and, through appropriate preparatory work, supports the assessments and decisions of the Board of Directors with regard to the adequacy of the internal control and risk management system, establishes the system guidelines as well as guidelines for the approval of the financial reports.

The committee coordinates its activities, within its sphere of competence, with the activities of the Board of Statutory Auditors, the independent auditors, the Head of Internal Audit and also with the Director in charge of the internal control and risk management system and the Manager in charge of preparation of the corporate accounting documents.

In compliance with the Corporate Governance Code, the Control & Risks Committee has been tasked with the following duties:

- (i) to assess the action plan drawn up by the Head of Internal Audit, and examine the periodic reports drawn up by the Head of Internal Audit on the assessment of the internal control and risk management system, and those of particular importance prepared by the Internal Audit function;
- (ii) to assess jointly with the Manager in charge of preparation of the corporate accounting documents, after consultation with the independent auditor and the Board of Statutory Auditors, the correct use of accounting principles and their uniformity in the preparation of the consolidated financial statements;
- (iii) to monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
- (iv) to request the Internal Audit function to carry out checks on specific operational areas, and inform the Chair of the Board of Statutory Auditors when such requests are made;
- (v) to report periodically to the Board of Directors and at least every six months in conjunction with the approval of the Annual Report and the Half-Year Financial Report, on activities performed and the adequacy of the internal control and risk management system;
- (vi) at the request of the Director in charge of the control and risk system, to express opinions on specific aspects regarding the identification of the Group's main risks, as well as on the development, implementation and supervision of the internal control and risk management system;
- (vii) to provide the Board of Directors with an opinion on the findings set out by the external auditors in the opinion letter and in the reports on questions that emerged during the statutory audit;
- (viii) to provide the Board of Directors with an opinion on the appointment and revocation of and resources assigned to the Head of Internal Audit, and related remuneration;
- (ix) to perform preparatory activities to support the assessments and decisions of the Board of Directors on risk management in connection with detrimental factors that come to the knowledge of the Board of Directors;
- (x) to assist the Board of Directors in making assessments and decisions on sustainability-related issues, with specific reference to the approval of the Non-Financial Declaration;

- (xi) to define the guidelines of the internal control and risk management system, so that the main risks relating to the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, and to determine the compatibility of these risks with company management geared to the strategic objectives identified;
- (xii) to have access the necessary information and corporate functions for the performance of its functions.

In 2019 the Control & Risks Committee held 13 meetings coordinated by the Chair, duly minuted, with an average duration of two hours, with the participation from time to time of the members of the Board of Statutory Auditors, the Head of Internal Audit, the Group Data Protection Officer; it also met with the Deloitte & Touche S.p.A. auditing firm and the Ernst & Young auditing firm for the 2019-2027 nine-year engagement, and the heads of some corporate functions.

The attendance rate at the meetings for each member of the Committee is shown in table 1 of the annexes.

During 2019, the Control and Risks Committee:

- approved the 2019 annual Internal Audit activities programme for the Company and its subsidiaries drawn up by the Head of Internal Audit and verified its implementation.

The 2019 audit plan for the parent company and its subsidiaries envisages action covering six audit areas:

- (i) Operational audit: analysis of corporate processes and assessment of their effectiveness (degree of attainment of objectives) and efficiency (costs, timing, resources used);
- (ii) Compliance audit: application of certain operational guidelines by the parent company and Group companies;
- (iii) Law 231 compliance audit: application of Lgs.Decree 231/2001 in support of the supervisory bodies of the parent company and the subsidiaries;
- (iv) Financial audit: application of Law 262/05 in support of the Manager in charge of preparation of the corporate accounts;
- (v) Fraud;
- (vi) IT.

- examined the activities carried out by Internal Audit in 2019, agreeing with the recommendations made and proposing recommendations of its own; reviewed the follow-ups to the Internal Audit inspections;
- examined the activities and structure of the Internal Control Division, not only with regard to the internal audit as per the point above, but also to support the supervisory bodies of the parent company and the subsidiaries, risk management activities and operating processes;
- acknowledged the operational guidelines implemented by the Company during the year;
- examined the preliminary analysis illustrated by corporate management and approved the impairment testing procedure for the separate financial statements as at and for the year ended 31 December 2018 adopted by the Company, noting that the final measurements and valuations relating to the eventual impairment of tangible and intangible assets and equity investments would be the subject of specific examination and approval by the Board of Directors;
- examined risk reporting at 31 December 2018 and the annual report of the Financial Risks Committee without finding irregularities;
- reviewed the 2018 annual report and the report at July 2019 prepared by the Control & Risks Committee without finding irregularities;
- analysed the Risk Assessment results presented by and the report drawn up by the Head of Internal Audit. The scope of activity included both the parent company and the Italian and French subsidiaries;
- took cognisance of the report prepared by the Head of Internal Audit, Dr. Paolo De Benedetti, on the self-assessment of the Mondadori Group's internal control and risk management system;
- took cognisance of the Group Data Protection Officer's report on activities and related department;
- analysed the findings of the independent auditor as presented in the report on the key issues that emerged during the audit; no failings were observed in the internal control system in terms of financial disclosure, and there were no uncertainties worthy of note regarding business continuity;
- assessed the principles, methods and reporting procedures for the Non-Financial Disclosure Lgs.Decree 254/16;

held meetings with company managers to discuss matters relating to the specific areas of business;
performed preparatory activities to support the assessments and decisions of the Board of Directors relating to the corporate changes that took place in 2019;

- approved the updating of the operating provisions in force within the Mondadori Group.

Five committee meetings are planned for 2020.

To date, the Control & Risks Committee has held four meetings during the current year; a summary of those meetings follows:

- on 3 February the committee:
 - (i) examined the impairment testing methodology for the separate financial statements as at and for the year ended 31 December 2019 adopted by the Company, and approved the measurement methods;
 - (ii) reviewed the work of Internal Audit in December 2019, agreeing with the recommendations made and proposing recommendations of its own;
 - (iii) planned meetings and activities for 2020;
 - (iv) examined the draft 2020 budget activities of Internal Audit and the Internal Control Division;
 - (v) examined in detail the recommendations of the letter of the Corporate Governance Committee.
- On 20 February the committee:
 - (i) after consulting with the Board of Statutory Auditors, gave a favourable opinion on the 2020 annual Internal Audit risk-based activities plan for the Company and its subsidiaries drawn up by the Head of Internal Audit, and the annual activities plan of the Internal Control Division;
 - (ii) analysed the as-is situation of the Mondadori Group in relation to the 2019 recommendations of the Chair of the Corporate Governance Committee;
 - (iii) received an update on the associated company SEE Spa;
 - (iv) examined the resources and organizational structure of the Internal Audit function and issued a favourable opinion;
 - (v) examined the initial activities on the financial statements as at and for the year ended 31 December 2019 conducted by the external auditors.
- On 6 March the committee:
 - (i) met the Communication & Media Relations Manager to discuss the 2019 Non-Financial Disclosure;
 - (ii) examined the Control & Risk Committee's draft annual report on its activities for 2019;
 - (iii) analysed legal disputes as at 31.12.2019;
 - (iv) analysed the activities of the Corporate Crisis Committee in connection with the national Covid-19 emergency.
- On 17 March the committee:
 - (i) examined the results of the 2019-2020 risk assessment activity presented by the Head of Internal Audit. The activity referred to the results of the Parent Company as well as those of the Italian and French subsidiaries;
 - (ii) having consulted with the Board of Statutory Auditors, approved the report prepared by the Head of Internal Audit, Dr. Paolo De Benedetti, on the self-assessment of the internal control and risk management system of the Mondadori Group for 2019;
 - (iii) examined the annual report of 2019 Risks Committee: no irregularities emerged;
 - (iv) examined the impairment testing method applied to the assets in the draft financial statements as at 31/12/2019, and met the independent auditors Ernst & Young;

(v) analysed the Financial Policy related to Risk Reporting as at 31/12/2019 and the report of the Control & Risks Committee.

The activities carried out by the Committee were duly and regularly reported to the Board of Directors.

8. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

INTRODUCTION

The internal control and risk management system is a set of rules, procedures and organisational structures established to enable the identification, measurement, management and monitoring of the main risks.

The system forms an integral part of the overall organizational structure and corporate governance system that the issuer has adopted, and takes into account the frameworks of reference and best practices at both the national and international levels.

Among the major themes addressed by the system, special focus is placed on risk management, as the guiding principle that all Issuers' internal control systems have in common. In this context, the Board of Directors takes on a fundamental role, as evidenced also by its specific function to *"determine a risk appetite that is consistent with the issuer's strategic objectives, including within its own assessments the risks that can become significant in terms of long-medium term sustainability"*. Consistently with the specific risk profile, the Board of Directors is also responsible for defining *"the guidelines of the internal control and risk management system, so that the main risks pertinent to the issuer and its subsidiaries are correctly identified, and appropriately measured, managed and monitored, and also determining the degree to which the risks are compatible with a corporate management aligned with the identified strategic objectives"*. The Board of Directors is also responsible for assessing *"on at least an annual basis, the adequacy of the internal control and risk management system with respect to the characteristics of the company and its assumed risk profile, as well as the system's effectiveness"*. In performing these functions, the Board of Directors is assisted by preparatory activities conducted by the Control & Risks Committee.

In 2008, when the first guidelines for the internal control system were drafted, the Mondadori Group implemented a Risk Management process by adopting a model for the identification, assessment and management of the risks it is exposed to in its area of operations.

Guidelines for the internal control and risk management system

With the favourable opinion of the Control & Risks Committee, the Board of Directors approved the guidelines for the internal control and risk management system and updated the system to take account of the recommendations of the Corporate Governance Code.

a) Reference model

In accordance with the Code's recommendation to take *"into adequate consideration the reference models and best practices existing at national and international level"*, the reference method is based on the principles set out in the *"CoSO Report"*, one of the most authoritative standards adopted at international level, especially as regards risk identification and management, and on the principles defined under *"CoSO - Enterprise Risk Management (CoSO ERM)"*.

The CoSO ERM – Integrated Framework ensures:

- that management has implemented a satisfactory objective-setting process, and that the objectives established are aligned with and support the company's mission;
- the compatibility of risks with the achievement of strategic objectives (risk appetite).

In keeping with the framework and the recommendations of the Corporate Governance Code, the Mondadori Group meets with management on a yearly basis to establish and share its mission/vision and strategic objectives, the latter subdivided into quantitative and qualitative targets.

These strategic objectives are then adapted to the individual business divisions and central functions.

The Board of Directors establishes the Group's risk appetite in correspondence with its strategic objectives, as described above.

b) Areas of analysis

The internal control and risk management system was developed by identifying and managing three areas of analysis:

1. objectives;
2. components;
3. scope;

as described below.

1. Objectives of the internal control and risk management system

The management of the internal control and risk management system offers reasonable assurances with regard to monitoring the risks involved in the achievement of the corporate strategic objectives and related operating objectives, in other words:

- effective and efficient business operations, including the safeguarding of company assets (operating objectives);
- reliability of financial and non-financial reporting (reporting objectives);
- compliance with laws and regulations (compliance objectives).

In this context, the following elements are defined and monitored:

- identification of risks that threaten the achievement of objectives;
- identification and assessment of risks that may become significant in terms of the issuer's medium/long-term sustainability;
- assessment of such risks in terms of impact / likelihood;
- monitoring of current risk responses;
- assessment of risk response effectiveness in relation to identified risks.

In addition, the process for management of the internal control and risk management system put in place to fulfil the three categories of objectives listed above must have the following characteristics:

- it must respond promptly to significant risk situations, while making sure that the proper control activities are in place;
- in the context of business processes, it must ensure an adequate degree of separation between operational functions and control functions, so that conflicts of interest are avoided in the tasks assigned;
- in the context of operational, administrative and accounting activities, it must guarantee use of systems and procedures that ensure the accurate recording of company and business facts and events, while making sure that information flows within and outside the Group in a reliable and timely manner;
- it must provide for timely communication to the appropriate Group levels of significant risks and control irregularities, enabling corrective measures to be identified and promptly executed.

2. Components of the internal control and risk management system

The internal control and risk management system takes into account all the components and interrelations to ensure an appropriate overview of the company's situation.

Management of the system components is defined through a risk management process designed to ensure the dynamic nature of the control system.

This process covers the following key issues:

- definition of strategic and operating objectives;
- identification of events that might pose a risk to achievement of objectives;
- definition of management roles and responsibilities (risk owner);
- definition of the level and form of communication;
- process monitoring through on-going and assurance activities.

3. Defining the scope (or field of application)

The definition of the internal control and risk management system concerns the entire Group and considers all its different business areas in an integrated manner.

c) Periodic communication

To meet system management information needs, all the update and reporting document flows among the individuals and bodies involved in the management of the internal control and risk management system are implemented: Board of Directors, Control & Risks Committee, director in charge of the internal control and risk management system, Internal Audit.

Determination of the level of compatibility of risks with achievement of strategic objectives

As explained above, in keeping with the framework adopted, the Mondadori Group meets with management on a yearly basis to establish and share its mission/vision and strategic objectives, the latter of which are divided into quantitative and qualitative targets.

For the period under review, the following objectives were set:

Vision

- focus on the publishing business
- content enhancement
- rationalisation and efficiency

Quantitative objectives

- protection of profit margins
- financial stability

Qualitative objectives

- innovation
- digital development
- brand protection
- synergy between business areas
- internationalisation

The Board of Directors determined the risk appetite in relation to the identified strategic objectives, in accordance with the risk management process as defined in 2008 and updated on an annual basis. The process determined risk thresholds that enabled three risk levels to be identified (High, Medium, Low) so as to analyse the level of compatibility between expected risk value and attainment of objectives. As part of the process, the Board of Directors determined a risk appetite that, on average, can be defined as cautious, particularly as regards achievement of the following objectives: defending the Group's reputation, compliance with applicable laws and regulations, and adequacy of financial disclosure.

The composition, operation and activities of the parties involved in the internal control and risk management is described below.

RISK MANAGEMENT

The Risk Management function, part of the Internal Control Division, monitors the risk management process, supervising activities and coordinating those involved.

Identified risks are classified within an internal Framework, and subsequently assessed on both an inherent level – that is, the degree of risk that would exist if no mitigating factors were put in place by management – and a residual level – that is, the risk that would remain after taking mitigating controls into account.

The valuation is based on two parameters: the likelihood of an event's occurrence and its potential impact, the latter being measured in terms of economic and financial repercussions, market share, competitive advantage and the Group's reputation.

Each risk factor is associated with the strategic objectives of the Group, as established by the Chief Executive Officer, and the objectives of the individual Divisions as established by first-line management.

Inherent and residual risks are identified and evaluated by the heads of the business units or functions within their specific areas, through a self-assessment, and reporting any mitigating action.

The Risk Management function analyses the information received, and then presents the risk outlook for each division for first-line management for validation.

The next step is risk consolidation: the various risk factors are grouped into similar categories and each one is assigned a weight commensurate with the significance of the Division for the Group.

The results of the Risk Management Process are subject to a specific reporting protocol: the Head of Internal Audit informs the Director in charge of the internal control and risk management system, the Control & Risks Committee and the Board of Statutory Auditors; the Director in charge of the internal control and risk management system then informs the Board of Directors. The relevant bodies use the information to carry out further in-depth analyses.

Internal Audit subsequently verifies the actual existence and effectiveness of the mitigating controls reported by the various areas during the assessment phase.

The Risk Management Process is updated through an annual risk review, carried out in accordance with the procedures described above.

With regard to activities conducted in 2019, the Risk Assessment system for the parent company and its subsidiaries and associates was updated and monitored.

The main risks and uncertainties for the parent company, its subsidiaries and associates are set out in a specific section of the Report on Operations for 2019.

DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On 24 April 2018, in compliance with the Borsa Italiana Corporate Governance Code, the Board of Directors assigned the post of "Director in charge of the internal control and risk management system" to the Chief Executive Officer, Dr. Ernesto Riccardo Mauri. The functions of the position are as follows:

- (i) to execute the guidelines laid down by the Board of Directors and oversee the development, implementation and supervision of the internal control and risk management system, while constantly verifying its adequacy and effectiveness;
- (ii) to identify the main risks for the Company, while taking into account the characteristics of the operations of Arnoldo Mondadori Editore S.p.A. and its subsidiaries, and to submit said risks to the Board of Directors for periodic review;
- (iii) to ask the Internal Audit function to carry out checks on specific operational areas, as well as on compliance with internal rules and procedures in the performance of business operations, and to inform the Chair of the Board of Directors, the Chair of the Control & Risks Committee and the Chair of the Board of Statutory Auditors when such requests are made;
- (iv) to report promptly to the Control & Risks Committee (or to the Board of Directors) on problems or critical situations that may have emerged in the performance of his duties or were brought to his attention, so that the Committee (or the Board) may take the necessary measures.

In the implementation of the guidelines established by the Board of Directors, the Director in charge of the internal control and risk management system has organised and coordinated the Risk Assessment process as described in this report, specifically in the section entitled "Description of the Internal Control and Risk Management System".

HEAD OF INTERNAL AUDIT

The Head of Internal Audit is responsible not only for organising and managing internal auditing for the Company and its subsidiaries, but also for ascertaining that activities comply with current laws, regulations and the corporate procedures adopted to ensure correct, efficient management and to identify, prevent and manage corporate risks and fraud.

In line with the Code of Conduct, the Head of Internal Audit has also been assigned the following functions by the Board of Directors:

- (i) to verify the effectiveness and adequacy of the internal control and risk management system on an ongoing basis and as required by international standards, through an audit plan approved by the Board of Directors, which is based on a structured process of risk analysis and prioritization;
- (ii) to have direct access to all the necessary information;
- (iii) to prepare regular and sufficiently detailed reports on Internal Audit activities, the ways in which risk is managed and compliance with the risk-containment plans. These reports include an assessment of the adequacy of the internal control and risk management system;
- (iv) to prepare timely reports on events of particular significance;
- (v) to send the reports described in the previous two points to the Chairs of the Board of Statutory Auditors, the Control & Risks Committee and the Board of Directors, as well as to the Director in charge of the internal control and risk management system;
- (vi) to use the audit plan to verify the reliability of the Company's information systems, including its accounting IT systems.

Upon the recommendation of the Director in charge of the internal control and risk management system, and after the favourable opinion of the Control & Risks Committee and consultation with the Board of Statutory Auditors, Paolo De Benedetti was appointed Head of the Internal Audit function on 28 February 2013.

The Head of Internal Audit is not under the authority of any operational area, and reports to the Board of Directors, the director in charge of the internal control and risk management system, the Control & Risks Committee and the Board of Statutory Auditors.

The Director in charge of the internal control and risk management system ensures that the Division has resources appropriate for the performance of its duties and establishes the remuneration of the Head of Internal Audit, in line with the compensation levels set for corporate management.

The Head of Internal Audit verifies the operations and adequacy of the control and risk management system, through an audit plan approved by the Board of Directors, based on a structured process of analysis and prioritization of the main risks, in other words a risk-based audit plan.

The audit plan takes into consideration:

- (i) intervention priorities to allow for allocation of resources based on the materiality and significance of risk exposure;
- (ii) the flexibility required to be able to respond to unexpected situations;
- (iii) adequate audit coverage over all corporate processes.

Audits targeting the Parent Company and its subsidiaries in 2019 involved six categories of audit:

- Operational: analysis of the company processes and their assessment in terms of efficacy and efficiency;
- Compliance: the application of some operational guidelines by the Parent Company and companies in the Group;
- Law 231 Compliance: application of Lgs.Decree no. 231/2001 to support the supervisory bodies of the Parent Company and its subsidiaries;
- Financial: application of Law 262/05 in support of the Manager in charge of preparation of the corporate accounts;
- IT: in support of information systems;

- Fraud.

ORGANISATION, MANAGEMENT AND CONTROL MODEL EX LGS.DECREE 231/2001

On 11 December 2003, the Board of Directors adopted an Organisation, Management and Control Model in compliance with Lgs.Decree no. 231/2001, which introduced the principle of corporate liability into the Italian legal system in connection with certain types of crimes committed by a corporation's directors, managers or employees in the interest or to the advantage of the corporation itself.

On 15 May 2019, the Board of Directors adopted an updated and integrated version of the Organisation, Management and Control Model based on developments in legislation and organisational changes at the issuer, and to take account of case law and the experience accumulated during the first few years of application of the Model.

The Model, which also takes account of the guidelines drawn up by industry associations, is an additional enhancement to the Company and Group's internal control system. It is composed of:

- a general section including specific information on the key content of Lgs.Decree no. 231/2001 and subsequent additions, the objectives and operation of the Model, the responsibilities of the body charged with overseeing the application and operation of the Model, information flows, the system of penalties for breaches of the Model;
- a special section made up of a series of specific protocols on the types of crimes covered by Lgs.Decree no. 231/2001.

The Organisation, Management and Control Model is available on the website www.mondadori.it - Governance section.

SUPERVISORY AND OVERSIGHT BODY

On 24 April 2018, the Board of Directors confirmed the Supervisory and Oversight Body in line with the Organisation Model as per Lgs.Decree 231/2001 as a collegiate body, whose term expires on expiration of the Board of Directors' mandate or as otherwise deliberated. The members of the Supervisory Body are:

- Sara Fornasiero** - Chair of the Board of Statutory Auditors;
- Angelo Renoldi** - independent director;
- Paolo De Benedetti** - Head of Group Internal Audit.

Pursuant to Lgs.Decree no. 231/2001 and subsequent amendments and additions, the Board of Directors has assigned full powers of initiative and oversight to the Supervisory Body to guarantee precise and efficient surveillance of the operation and enforcement of the Model; it has authorised free access to all the corporate functions to enable the body to obtain the information and data it requires.

For example and without limitation, the following tasks and duties are assigned to the Supervisory and Oversight Body, to be executed, where necessary, with the cooperation of other corporate functions and external consultants and with full financial autonomy, based on specific budget items:

- (i) to enforce compliance with the Model and report any default and the sectors at greatest risk in view of such default;
- (ii) to oversee the real effectiveness and ability of the Model to prevent the crimes as per Lgs.Decree no. 231/2001 and subsequent additions, with regard to individual corporate units and the activities performed;
- (iii) to ensure that the required stability and functionality of the Model are maintained over time;
- (iv) to oversee the advisability of updating the Model, in the event that it requires adjustment due to regulatory changes or developments within the Company;
- (v) to access records and information from the various corporate functions in order to carry out periodic checks and monitor specific at-risk activities;
- (vi) to promote information and training initiatives on the Model's principles, values and code of conduct.

The Supervisory and Oversight Body reports periodically to the Board of Directors, the Control & Risks Committee and the Board of Statutory Auditors on the work it has carried out, the functioning of the Model and specific situations.

INDEPENDENT AUDITOR

On a reasoned proposal submitted by the Board of Statutory Auditors in accordance with art. 13(1) of Lgs.Decree no. 39/2010, on 17 April 2019 the Shareholders' Meeting approved the engagement of the independent auditor Ernst & Young to conduct full-scope audits of the separate and consolidated financial statements and to perform additional services as per art. 14 of Lgs.Decree no. 39/2010, for the nine financial years between 2019/2027. The engagement is also in line with Regulation (EU) no. 537/2014 of the European Parliament and the Council of 16 April 2014, on specific requirements regarding statutory audits of public -interest entities.

MANAGER IN CHARGE OF PREPARING THE CORPORATE ACCOUNTS

In its meeting of 24 April 2018, having heard the favourable opinion of the Board of Statutory Auditors and verified the fulfilment of the requirements of professionalism under the Articles of Association, the Board of Directors confirmed the appointment of the director Oddone Maria Pozzi as "Manager in charge of preparing the corporate accounts", pursuant to art. 24 of the Articles of Association and art. 154–bis of Lgs.Decree no. 58/1998, until expiration of the mandate of the Board of Directors, or as otherwise deliberated.

The Board of Directors also assigned to the Manager in charge of preparing the corporate accounts the powers and resources required to exercise the functions envisaged by art. 154-bis of Lgs.Decree no. 58/1998 and by all applicable laws, also as regards management and coordination of the corporate functions involved in verifying the accounting administration procedures.

For matters concerning the professional qualifications of the Manager in charge of preparing the corporate accounts, and the appointment procedure employed by the Board of Directors, reference should be made to art. 24 of the Articles of Association, published on the Company website www.mondadori.it – Governance section.

In the performance of his duties, the Manager in charge of preparing the corporate accounts implemented and coordinated a series of organisational and operational measures aimed at meeting legal requirements.

Specifically, he identified a reference operating model based on the "Internal Control Framework" drawn up by the Committee of Sponsoring Organizations of the Treadway Commission, which is the most widely used international standard for internal control systems.

The model's objective is to ensure reliability in financial reporting, by identifying a series of controls to be implemented during accounting and administrative procedures for the preparation of the separate financial statements, the consolidated financial statements, the half-year financial report and in general any financial disclosure.

The model also regulates the methods used to monitor the adequacy of accounting and administrative procedures, as well as the checks in place to verify that these procedures are actually being implemented.

With the support of the Control & Risks Committee, the Board of Directors ensures that the powers and resources granted to the Manager in charge of preparing the corporate accounts are adequate and that the accounting and administrative procedures are followed.

Specifically, the Board has:

- formalized a set of rules for the Manager in charge of preparing the corporate accounts, which establish procedural and organisational terms for the following:
 - roles and functions exercised by the Manager in charge of preparing the corporate accounts in relation to the tasks and responsibilities assigned to him by law. The powers conferred by the Board of Directors at the time of the appointment are laid out in terms of spending powers and use of internal resources and specific corporate functions for the development, implementation and monitoring of procedures and with regard to the Internal Audit to verify correct application of procedures;
 - the main information flows, and coordination of the respective activities of the Manager in charge of preparing the corporate accounts, the Board of Directors, the Board of Statutory Auditors and the various corporate functions;
- verified the operational model with regard to the methods used to monitor the accounting and administrative procedures, and verify their application.

COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

An effective internal control and risk management system must contribute to corporate management in line with the corporate objectives through assumption of informed decisions. The internal control system must therefore not only consider the management of risk in its entirety, but must necessarily be integrated.

This presupposes that its components are coordinated and interdependent and that the system, overall, is in turn integrated into the general organisational, administrative and accounting structure of the Company.

To this end, the meetings of the Control & Risks Committee are attended by the Board of Statutory Auditors, the Manager in charge of preparing the corporate accounts and, if additional information is required on the management and operation of the company, by the appropriate company management.

Furthermore, the activities of the committee are regularly reported to the Board of Directors.

MAIN CHARACTERISTICS OF EXISTING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

INTRODUCTION

The guidelines of the internal control system were defined by the Board of Directors with the support of the Control & Risks Committee in order to allow proper company management that is correct and consistent with the objectives established, through an adequate process of identification, measurement, management and monitoring of the main risks.

In compliance with art. 123-*bis*, paragraph 2, head b), of the TUF, the risk management system as it relates to the financial reporting process is an integral part of the internal control system, that is, a set of rules, procedures and organisational units that guarantee the reliability, precision and timeliness of financial reporting.

In connection with the financial reporting process, as a listed company the Company has appointed a Manager in charge of preparing the corporate accounts, who by law is assigned specific competences, responsibilities and certification and declaration obligations.

In accordance with the Articles of Association and with law, the Manager in charge of preparing the corporate accounts, with the support of the director in charge of the internal control and risk management system and the Board of Directors, has drawn up an internal control model and identified specific activity flows involving a variety of corporate functions in order to obtain Law 262 certification.

REFERENCE CONTROL MODEL

In compliance with current legislation, the Manager in charge of preparing the corporate accounts has adopted a universally-recognized control model – COSO's Internal Control Integrated Framework – to assess the design and effectiveness of the internal control system as it relates to periodic financial reporting.

The model allows the internal control system to be assessed at three analytical levels (objectives, context and components), for each of which the features of significance with regard to application in the Group have been selected.

In terms of objectives, the Group's primary focus has been its "financial reporting" objective, which aims to ensure timely and reliable financial reporting and accounting.

With regard to context, the purpose of the internal control processes is to provide reasonable assurance regarding:

- preparation of the financial reports and accounts in compliance with the timetables set by law;
- the reliability of the data, information and process used to prepare the financial reports and accounts.

The model is able to assess the adequacy of an internal control system on various corporate levels including a Group level, a company level, a process level, etc.

With regard to components, used to assess the fitness of the control system to achieve the pre-defined objectives, the focus is on:

- the "control environment", which identifies the parties and instruments for the organisation, assessment and checking of the general internal control system, one of whose objectives is the reliability of business and financial reporting;

- the “assessment of risks”, that is, identification of negative events that could prevent the reliability and timeliness objectives of financial reporting from being achieved, and assessment of the risk of such events occurring;
- “control activities”, that is, the actions and controls put in place to mitigate the risks that have already been identified and assessed. The control system will be effective to the extent that risks are adequately covered by a risk response and by specific control activities. Risk assessment and identification of control activities were carried out by mapping the accounting and administrative procedures and then assessing their adequacy;
- “monitoring activities”, involving measures to be taken periodically to check:
 - the actual implementation of procedures and above all, of the control activities mentioned above;
 - the proper updating of procedures and above all, of the control activities mentioned above;
- “information and communication”, with the organisation of effective information flows among the parties involved in the internal control system. Specifically, these flows include:
 - informing the parties concerned of the procedures that apply to them;
 - exchanges of information between the parties with a role in the corporate governance system;
 - reporting on the progress of any activities being carried out to improve the internal control system;
 - reporting on any irregularities found during the monitoring process, which are described in subsequent sections of this document.



CHARACTERISTICS OF THE INTERNAL CONTROL MODEL

The Manager in charge of preparing the corporate accounts works in conjunction with the corporate governance bodies, the first-level corporate functions and the companies in the scope of consolidation in order to receive information on any activities that have an impact on the Group’s results of operation, assets or financial position.

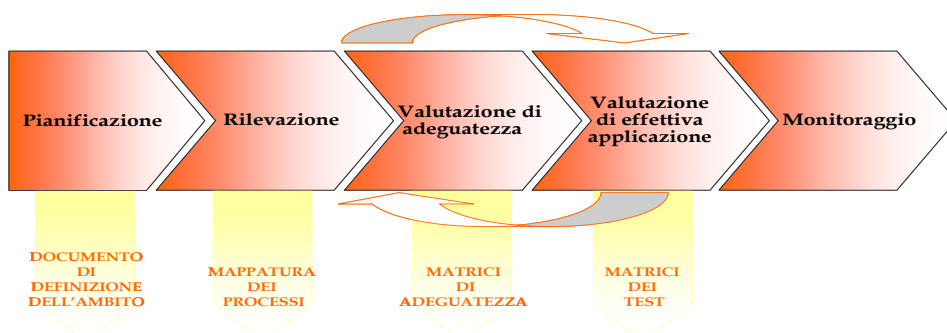
For the application of the internal control model, the Manager in charge of preparing the corporate accounts liaises with the Process Owners through the Operational Process Analysis unit and Internal Audit.

Specifically:

- the Operational Process Analysis unit provides support for the preparation of documents to be used to analyse and assess accounting and administrative procedures;
- Internal Audit is mainly involved in verifying that these procedures are implemented.

The internal control model at Mondadori is organised around the following phases, which were specifically updated during the year under review:

- Planning;
- Mapping;
- Assessment of adequacy;
- Assessment of actual implementation;
- Establishment and monitoring of corrective measures.



Planning

The Company has updated its scope of analysis in the “Scope of Analysis Document” to include all of the Group’s subsidiaries consolidated on a line-by-line basis.

Specifically:

- a materiality threshold was established for accounting items;
- a qualitative and quantitative risk assessment of accounting items was carried out division by division;
- each business division underwent a global assessment of the materiality of single accounting items in order to determine the scope of analysis;
- processes were identified for each division, where they were matched with the accounting items included in the scope of analysis;
- an overall risk valuation (high, medium, low) was then given to each process for each business division.

Mapping

The processes and procedures in the main reporting areas were mapped, highlighting key control activities for coverage of the identified financial reporting risks. The mapping activity was carried out in collaboration with the process owners.

A flow chart was created, indicating activities, support resources, roles/responsibilities.

Assessment of adequacy

Process and procedure adequacy were documented by assessing key control activities relating to identified risks, using a specific effectiveness matrix.

The findings of the assessment were shared with the process owners. Corrective measures were introduced when controls were found to be inadequate.

Assessment of actual implementation

The Internal Audit to assess implementation of key controls was conducted in relation to the mapped processes. The results were set out in specific reports addressed to the Manager in charge of preparing the corporate accounts, which are used to update process documentation and introduce any corrective measures.

Establishment and monitoring of corrective measures

The internal control model was monitored as follows:

- activation of communication channels with the process owners in order to identify any changes in their activities through “process certification” forms;
- updates of process documentation (flow charts and effectiveness matrices);
- establishment and implementation of corrective measures aimed at restoring adequacy to any inadequate key controls;
- preparation of certification paperwork by the Group companies in the scope of the analysis;
- organisation of information flows to the control bodies.

9. DIRECTORS’ INTERESTS AND RELATED-PARTY TRANSACTIONS

In accordance with art. 2391-*bis* of the Italian Civil Code and the general principles set out in Consob’s “Regulation on Related-Party Transactions” (Resolution no. 17221 of 12 March 2010, as amended, “Consob Regulation”), on 25 November 2010, after receiving the favourable opinion of a committee formed entirely of independent directors, the Board of Directors approved the “Procedures for Related-Party Transactions” (the “Procedures”).

The Procedures replace the previous internal regulation adopted by the Board of Directors; they set out the rules, roles, responsibilities and activities put in place to ensure transparency and the substantive and procedural correctness of related-party transactions executed by the Company directly or through subsidiaries.

The Procedures will be analysed and if necessary revised to take account of the Consob regulations currently being issued pursuant to Lgs.Decree 49/2019.

Specifically, the current Procedures adopted by the Board of Directors:

- identify and define Related Parties, making reference to the definitions covered by Annex 1 to the Consob Regulations as well as to IAS 24;
- qualify the criteria for identification of material transactions – to be approved by the Board of Directors subject to the binding favourable opinion of a committee consisting entirely of independent directors – and immaterial transactions;
- identify the bodies and entities involved in implementing the Procedures, regulating their respective roles and the information and document flows;
- identify the types of transactions that are exempt from the application of the Procedures.

To reinforce the transparency and substantive and procedural fairness of related-party transactions, some of the Procedures take a more rigorous approach with respect to the options available to companies under art. 4.1.f of the Consob Regulation.

Consequently, the Procedures envisage:

- a reduction – for specific types of transaction – of the quantitative thresholds indicated by the Regulation for identification of material transactions;
- exclusion of the so-called shareholder “whitewash” mechanism in the event of a negative opinion expressed by the committee of independent directors.

In keeping with the aforementioned criteria used to identify related parties, the Procedures also apply in the event that a Company director is one of the related parties involved, resulting in a potential conflict of interest with respect to the transaction at hand.

Generally speaking, in the case of transactions where a director has an interest directly or on behalf of third parties, the director provides the Board of Directors and the Board of Statutory Auditors with a prior disclosure pursuant to art. 2391 Italian Civil Code, and does not attend the Board discussion and vote unless otherwise decided by the Board of Directors, depending on the characteristics of the transaction.

“The “Procedures for Related-Party Transactions” are available on the website www.mondadori.it - Governance section.

Detailed information about related-party transactions in financial year 2019 is provided in the Directors’ Report on Operations and in the explanatory notes to the separate financial statements and the consolidated financial statements in the Annual Report as at and for the year ended 31 December 2019, which is available on the website www.mondadori.it - Governance section.

10. BOARD OF STATUTORY AUDITORS

COMPOSITION AND OPERATIONS OF THE BOARD OF STATUTORY AUDITORS

Composed as required by the Articles of Association of three standing auditors and three substitutes, the Board of Statutory Auditors was appointed by the Shareholders' Meeting of 24 April 2018. Its term will expire with the Shareholders' Meeting to approve the financial statements as at and for the year ended 31 December 2020.

At the end of the financial year covered by this Report, the members of the Board of Statutory Auditors were:

Sara Fornasiero - Chair

Flavia Daunia Minutillo - standing auditor

Ezio Simonelli - standing auditor

Mario Civetta - substitute

Francesco Vittadini - substitute

Annalisa Firmani - substitute

The following table lists the directorships or auditorships held by the current members of the Board of Statutory Auditors of Arnoldo Mondadori Editore S.p.A. in other listed companies:

Board of Statutory Auditors	Positions held by statutory auditors in other listed companies
Sara Fornasiero	Standing auditor of Leonardo S.p.A. Director of Landi Renzo S.p.A.
Flavia Daunia Minutillo	Standing auditor of Banca Generali S.p.A. Standing auditor of Molmed S.p.A.
Ezio Simonelli	Standing auditor of Mediaset S.p.A.

Auditors have a three-year term of office and may be re-elected.

The professional and personal biographies of each member of the Board of Statutory Auditors can be found on the website www.mondadori.it - Governance section.

In accordance with the current Articles of Association, all statutory auditors must be officially listed on the Italian Register of Statutory Auditors and Audit Firms, and they must have at least three years of statutory audit experience.

Furthermore, they must meet all legal and regulatory requirements in force.

The remuneration of the statutory auditors, as resolved by the Shareholders' Meeting on 24 April 2018, is commensurate with the commitment required, the significance of the office held, the size of the Company and the sector in which it operates.

During 2019, the Board of Statutory Auditors held 23 meetings, averaging two hours per meeting, for which minutes were regularly kept; the Board of Statutory Auditors also held recurring meetings with the Control & Risks Committee and the heads of the various corporate functions – including the Head of Internal Audit – with a focus on assessing the adequacy of the internal control and risk management system, and with the external auditors to share information. The Board of Statutory Auditors also met the members of the Supervisory and Oversight Body, of the Boards of Statutory Auditors of the Mondadori Group subsidiaries and the independent auditors in order to exchange information and regulatory updates.

The meeting attendance rates for each statutory auditor are annexed to this Report.

APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

The provisions of art. 27 of the current Articles of Association with regard to the procedures of the list voting system used to appoint the Board of Statutory Auditors are set out below.

One third of the Board of Statutory Auditors appointed by the Board of Directors on 24 April 2018 expresses the “less represented gender” as required by current legislation on gender balance (Law 12 July 2011 no. 120).

It is understood that the Issuer will examine adoption of appropriate amendments to the Articles of Association in compliance with Law 160/2019, ensuring that such amendments are effective as required by the terms of the entry into force of the law.

Furthermore:

- with regard to the equity interest required for the presentation of lists, the Articles of Association, as described below, refer to the percentage that, under the Issuers' Regulation, is established every year by Consob based on the average market capitalisation of companies in the last quarter of each financial year. Currently, under Consob Determination no. 28 of 30 January 2020, the current minimum ownership stake required to submit a list of candidates for Arnoldo Mondadori Editore has been set at 2.5% of the share capital.

The same minimum ownership stake of 2.5% was applicable during the appointment of the Board of Statutory Auditors at the Shareholders' Meeting on 24 April 2018.

Article 27 of the Articles of Association:

1. *The Ordinary General Meeting elects the Board of Statutory Auditors, which consists of three standing members and three substitute members, who shall hold office for three years and expire at the Shareholders' Meeting called to approve the financial statements for the third year of the term of office and they may be re-elected. The composition of the Board of Statutory Auditors referred to in this provision shall apply from the first appointment following the adoption of the same.*

All the Statutory Auditors shall be registered in the Register of statutory auditors and independent auditing firms established pursuant to law and shall have to have performed auditing activities for a period of not less than three years.

The Statutory Auditors shall also meet the requirements provided for in the relevant applicable law and regulatory provisions and the Board of Directors shall verify compliance.

2. *The Statutory Auditors shall be appointed on the basis of lists submitted by the shareholders with the procedure described hereinafter. The lists shall contain a number of candidates registered with a progressive number. Each list shall include two sections: one for the candidates as Standing Statutory Auditor and the other for the candidates as Substitute Statutory Auditor. Each candidate may be registered in only one list or otherwise become ineligible.*

Each list shall include the indication of at least a Standing and a Substitute Statutory Auditor.

In order to ensure the balance between genders in accordance with the regulations currently in force, each list that contains a total number of candidates equal to or greater than three must provide for the presence of candidates of both genders, so that at least one candidate for the office of statutory auditor and one for the office of substitute auditor is of the less represented gender.

3. *Shareholders with voting rights may submit lists, when they represent, alone or together with other shareholders, at least that percentage of capital subscribed determined and published by Consob for the submission of the lists of candidates for the appointment of the Board of Directors pursuant to the Issuers' Regulation as of the date of submission of the list.*

The ownership of the Company capital is determined by taking into account the shares that have been registered in favour of the shareholders on the day in which the list is filed with the Company, with reference to the underwritten capital as of the same date.

The relevant confirmation or certification may be notified or produced also subsequent to the filing of the list, provided that it is served to the Company within the term established for the publication of the lists by the Company.

The company hereby allows the shareholders who wish to submit the lists to submit them by remote communication means, according to the criteria that it will indicate in the relevant call for the Shareholders' Meeting and that allow the identification of the shareholders upon submission.

The interest percentage requested for the submission of the lists of candidates for the election of the Board of Statutory Auditors is specified in the relevant call for the Shareholders' Meeting to resolve upon the appointment of the same Board.

Any shareholder may not submit nor vote more than one list, either directly or through nominees or trust companies. Shareholders belonging to the same group – being herein intended as the parent company, subsidiaries and companies under joint control – and shareholders who have adhered to a Shareholders' Agreement pursuant to Article 122 of Italian Legislative Decree 58/1998 referring to the Issuer's shares, may not submit nor vote more than one list, either directly or through nominees or trust companies.

4. *The lists are filed at the Company no later than twenty-five days before the date of the Shareholders' Meeting on first or sole call to discuss the appointment of the members of the Board of Statutory Auditors and are made available to the public at the company offices, on the website and through other channels envisaged by the applicable regulations at least twenty-one days before the date of the Shareholders' Meeting.*

The lists shall include:

a) information relative to the identity of the shareholders who have submitted the lists with indication of the percentage interest held;

b) a declaration of the shareholders who presented the list other than those who hold alone or jointly a controlling interest or a relative majority, attesting the absence or presence of links with the latter, in compliance with art. 144-quinquies, paragraph 1, of the Issuers' Regulation;

c) exhaustive information on the personal and professional characteristics of the candidates as well as a statutory declaration by the same certifying that they meet the requisites envisaged by law and by these Articles of Association and that they accept the candidacy.

Candidates may not be appointed Statutory Auditors if they hold office as members of boards of directors or boards of statutory auditors to an extent that exceeds the thresholds established by the relevant applicable law and regulatory provisions.

5. In the case in which on the expiry date of the term of twenty-five days before the scheduled date of the Shareholders' Meeting in first or single call called to resolve upon the appointment of the Statutory Auditors, only one single list has been filed, or the only lists submitted are by shareholders who have relations pursuant to article 144-quinquies of the Issuer Regulation, the lists may be submitted until the third day subsequent to such date. In such a case the threshold referred to in paragraph 3 above is reduced by half.

6. The lists submitted without compliance with the afore specified provisions shall not be presented for voting.

7. Before the vote, the Chair of the meeting shall make reference to any declarations under letter b) above, inviting participants, who have not filed or contributed to the filing of any lists, to declare any possible relations as specified above.

Should any subject be having relations with one or more shareholders vote for a minority list, the existence of such relation becomes relevant only if the vote is decisive for the appointment of the statutory auditor.

8. The statutory auditors are appointed as follows:

a) two Standing Statutory Auditors and two Substitute Statutory Auditors are drawn from the list obtaining the highest number of votes, in the order in which they are named on the list;

b) one Standing Statutory Auditor and one Substitute Statutory Auditor are appointed from the second list which received the highest number of votes and that, also pursuant to from time to time applicable law provisions, has not, even indirectly, relations with the shareholders who have submitted or voted the list with the highest number of votes and they are selected based on the progressive order in which they appear on the relevant list.

In the hypothesis that multiple lists have obtained the same number of votes, a new round of balloting shall be held and those listed candidates who receive a simple majority of the votes shall be elected.

If at the conclusion of voting and the above operations the composition of the Board of Statutory Auditors does not comply with current regulations concerning the balance of genders, the necessary replacements will be made in the numerical order in which candidates are listed on the list obtaining the highest number of votes.

9. The candidate ranked first on the second most voted list for standing statutory auditors shall be appointed Chair of the Board of Statutory Auditors.

10. If only one list is submitted, the Shareholders will vote on it, and if the list obtains the majority required by article 2368 and following of the Civil Code, the three candidates in numerical order in the relative section shall be elected as standing auditors and the three candidates listed in progressive order in the relative section shall be elected as substitute auditors; the chairmanship of the Board of Statutory Auditors will go to the person indicated listed at the top of the section of the candidates for the office of standing auditor from the list presented.

11. In the absence of lists and if through the voting list the number of candidates elected is fewer than the number determined by these Articles of Association, the Board of Statutory Auditors will be appointed or supplemented by the Shareholders on the basis of statutory majorities and in compliance with applicable provisions concerning gender balance.

12. In the case of the replacement of an auditor, the place will be taken by a substitute auditor from the same list as the former, in compliance with applicable provisions concerning gender balance; in the absence of such compliance, a shift in the order of subjects in the same list as the departing statutory auditor will be made or, alternatively, belonging to any other minority lists on the basis of votes received.

When the Shareholders are required to appoint standing and/or substitute auditors to complete the composition of the Board of Statutory Auditors, in compliance with applicable provisions concerning gender balance, these will be elected as follows: Should Statutory Auditors elected from the majority list need to be replaced, their successors are appointed by a relative majority without list constraints; on the other hand, if Statutory Auditors from a minority list are to be replaced, the Shareholders Meeting does so by a relative majority vote, choosing from among the candidates indicated in the list to which the Statutory Auditors to be replaced belonged or, as a second option, from among the candidates contained in any additional minority lists.

If there are no candidates in the minority list(s), in compliance with applicable provisions concerning gender balance the appointments are made by voting one or more lists, made up of a number of candidates not greater than those to be elected, presented prior to the meeting in compliance with the provisions laid down in this article for the appointment of the Board of Statutory Auditors. Lists may not be presented (and if presented they are void) by major shareholders or the shareholders related to them, as defined by current legal and regulatory provisions.

The candidates in the list that obtains the greatest number of votes will be elected.

If no lists are presented in compliance with the above, and in compliance with applicable provisions concerning gender balance appointments are made by a majority vote without list constraints.

13. In any case of replacement of the Chair, the incoming auditor shall also act as Chair.

14. The Shareholders' Meeting establishes the compensation due to the statutory auditors in addition to the reimbursement of the expenses borne for the performance of their activities.

15. The powers and duties of the statutory auditors are those provided for by law.

16. The Statutory Auditors' meetings may be held by telecommunications means, provided that all participants may be identified and their identification is registered in the relevant minutes and that they are able to follow the discussion and intervene in real time in the analysis of

the items on the agenda by exchanging documentation. In this case, the Statutory Auditors' meeting shall be considered held in the place in which the Chair is present.

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 24 April 2018 on the basis of the lists presented by the majority shareholder Fininvest S.p.A., owner of an interest of 53.299% of the share capital for a total of 139,355,950 shares and by a shareholder grouping of asset managers and institutional investors, holding a total of 8,065,686 shares representing 3.084% of the share capital.

In accordance with the law and the Articles of Association, the Chair of the Board of Statutory Auditors was elected from the minority list.

STATUTORY AUDITORS' INTERESTS

If a statutory auditor has an interest in a Company transaction directly or on behalf of third parties, he/she shall promptly provide the other statutory auditors and the Chair of the Board of Directors with full information about the nature, terms, origin and extent of the interest.

11. INVESTOR RELATIONS

A specific corporate function named "Investor Relations" has been set up to manage relations with institutional investors and, in conjunction with the Legal & Corporate Affairs Division, with shareholders in general.

The Company policy regarding communication with financial market operators is based on the release of full and correct information about its results, initiatives and strategies, in compliance with Consob and Borsa Italiana rules and the need for confidentiality that might be required on certain information; special attention is placed on guaranteeing transparent and timely information to support relations with the financial community.

The Investor Relations function, headed *ad interim* by Oddone Maria Pozzi, may be contacted through the e-mail address: invrel@mondadori.it.

The company has created a special Investor Relations section on its website www.mondadori.it which is a key tool in channelling information about the Company such as financial results, corporate events, the share price and the events calendar to the public.

12. SHAREHOLDERS' MEETINGS

The following Articles of Association regulate the calling, running and right to attend and vote at the Shareholders' Meeting:

- art. 9 with regard to the calling of the Shareholders' Meeting:
 - the meeting is called by publishing the relevant notice of call on the Company's website, subject to applicable regulations in force;
 - provision for the calling of the meeting, additions to the agenda and the presentation of proposals relating to items already on the agenda at the request of the minority shareholders in compliance with current law;
 - provision for exercise of the right to attend and vote through electronic means when expressly envisaged in the notice of call;
- art. 11 with regard to establishment of the right to attend the meeting and to vote: in compliance with the "record date", entitlement is attested by notification by the broker to the Company based on evidence recorded at the close of the accounting day on the seventh trading day preceding the date set for the meeting art. 11; any subsequent changes shall be irrelevant with regard to establishment of the right to vote. The notification must reach the Company within the close of the third trading day preceding the date scheduled for the meeting or within the indicated term, provided that this is before the meeting commences;
- art. 12 with regard to provision for the designation and notification of proxy voting, also by electronic means, pursuant to art. 135-*novies*, paragraph 6, Lgs.Decree no. 58/1998:

- possibility to designate a proxy through an electronically-signed, computerized proxy form, as per the instructions in the Meeting's notice of call, by using the relevant section of the Company's website or by sending the designation of proxy form to the Company's certified e-mail address;
- the power for the Board of Directors to designate a party for each meeting to act as a proxy on behalf of shareholders, with instructions to vote on all or some of the proposals on the agenda;
- art. 16 with regard to the quorum and resolutions of meetings:
 - possibility for the Board of Directors to elect to call both ordinary and extraordinary meetings on single call pursuant to art. 2369, paragraph 1, Italian Civil Code, or through multiple calls pursuant to art. 2369, paragraph 2 *et seq.* Italian Civil Code;
 - enforcement of the legal quora for meetings and resolutions, both on first and subsequent calls as well as on single call.

Documents relating to the items on the agenda are made available to the public, as required by law, at the registered office, on the "1info" authorised storage system (www.1info.it) and through publication on the Company website.

The powers of the ordinary and extraordinary Shareholders' Meeting are those determined by force.

With reference to art. 2365 Italian Civil Code, the Articles of Association provide for the Board of Directors to carry specific resolutions concerning certain matters that are also the competence of the shareholders, without prejudice to the competence of the shareholders on such matters.

REGULATIONS FOR SHAREHOLDERS' MEETINGS

On 24 April 2001 the ordinary Shareholders' Meeting approved a regulation for meetings that, among other things, governs the procedure to guarantee the right of each shareholder to take the floor in the discussion on the items on the agenda and ensures orderly proceedings and an efficient decision-making process to safeguard the interest of the shareholders as a whole.

The regulation is available for shareholders at the registered office and in the locations at which the meetings are held (and also on the website www.mondadori.it - Governance section).

It is also customary for the Board of Directors to use the Shareholders' Meetings as an opportunity to report on activities carried out and planned, to the extent permitted by regulations on insider information.

13. OTHER CORPORATE GOVERNANCE PRACTICES

There is nothing to add with respect to the contents of this report.

14. CHANGES AFTER THE REPORTING DATE

There is nothing to add with respect to the contents of this report.

15. REMARKS ON THE LETTER OF 19 DECEMBER 2019 OF THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE

The members of the Control & Risks Committee and the Board of Statutory Auditors analysed in detail the four recommendations concerning the areas for improvement highlighted by the Chair of the Control & Risks Committee in 2019.

Their analysis found specifically:

- with regard to Recommendation 1 (Sustainability), that the Company pays fundamental attention to the development and implementation of processes, including internal processes, for establishing sustainability issues as integral and essential to the formulation of corporate strategies, also with regard to the responsibilities of the Board of Directors.

- in relation to Recommendation 2 (Flows and quality of information for the Board of Directors), that the Company regards implementation of a digitalised system of management for the meetings of the corporate bodies as fundamental and strategic.

- in relation to Recommendation 3 (Independence criteria), that the Company also monitors analysis processes for the application of independence criteria through an enlarged work group consisting of the internal functions involved in the analysis (Legal & Corporate Affairs Division – Group Personnel & Organisation Division).

- in relation to Recommendation 4 (remuneration of non-executive directors and the members of audit bodies), that the Company has assigned to PWC responsibility for benchmarking peer companies, in order to identify best practices.

ATTACHMENTS

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES

Board of Directors											Control & Risks Committee		Remuneration & Appointments Committee		Related Parties Committee		Executive Committee (a)
Office	Members	In office since	In office until (°)	List *	Exec.	No n- exc.	Inde p. Code	Inde p. TUF	No. other positions **	(*)	(*)	(*)	(**)	(*)	(**)		
Chair	Berlusconi Marina	24/04/2018	31/12/2020	M	X				2	100							
Chief Exec. Off.°	Mauri Ernesto	24/04/2018	31/12/2020	M	X				4	100							
Director	Ainio Paolo Guglielmo Luigi	24/04/2018	31/12/2020	M		X			6	57.14							
Director	Berlusconi Pier Silvio	24/04/2018	31/12/2020	M		X			4	14.28							
Director	Biffi Elena	24/04/2018	31/12/2020	M		X	X	X	1	100			100	M	100	M	
Director	Currò Francesco	24/04/2018	31/12/2020	M		X			0	100							
Director	Forneron Mondadori Martina	24/04/2018	31/12/2020	M		X	X	X	0	0							
Director	Gianguialano Patrizia Michela	24/04/2018	31/12/2020	m		X	X	X	3	100	100	M					
Director	Pellegrino Danilo	24/04/2018	31/12/2020	M		X			6	100							
Director	Poli Roberto	24/04/2018	31/12/2020	M		X			8	57.14							
Director	Pozzi Oddone Maria	24/04/2018	31/12/2020	M	X				14	100							
Director	Renoldi Angelo	24/04/2018	31/12/2020	M		X	X	X	2	85.71	92.3	M	100	P	-100	P	
Director	Resca Mario	24/04/2018	31/12/2020	M	X				9	85.71							
Director°	Rossello Cristina	24/04/2018	31/12/2020	M		X	X	X	6	100	100	P	100	M	-100	M	
-----DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----																	
No. meetings held during the year under review				Board of Directors: 7				Control & Risks Committee: 13			Remuneration & Appointments Committee: 4			Related Parties Committee: 1			
Quorum needed to present a list of candidates at the last appointment: 2.5%								Ownership stake in the Company for the presentation of lists established by Consob Determination no. 28 of 30 January 2020: 2.5%									

NOTES

- ° Lead Independent Director (LID).
- Director responsibility for the internal control and risk management system.
- (°) Until the Shareholders' Meeting to approve the financial statements.
- * M/m in this column indicates whether the Board member was appointed from a list voted by a majority (M) or a minority (m); "C" indicates a director elected by co-optation.
- ** The number of positions held by the person concerned as director or statutory auditor in other companies listed on regulated markets, including foreign markets, as well as in financial companies, banks, insurance companies. The number shown also includes all directorships and auditorships held by the person concerned in companies other than the above, including positions held in the Mondadori Group. In this Report, the positions are shown in full.
- (*) This column shows the attendance rate for the directors at the 2019 BoD and Committee meetings, respectively (number of times present / number of meetings held during the actual term of office of the person concerned).
- (**) This column indicates the position of the director on the Committee: "P": Chair, "M": Member.
- (a) An Executive Committee has not been formed.

TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors							
Office	Members	In office since	In office until (°)	List *	Indep. as per Code	Attendance at meetings **	No. other positions ***
Chair	Fornasiero Sara	24/04/2018	31/12/2020	m	X	100	3
Standing Statutory Auditor	Minutillo Flavia Daunia	24/04/2018	31/12/2020	M	X	91.3	12
Standing Statutory Auditor	Simonelli Ezio	24/04/2018	31/12/2020	M	X	78.26	11
Substitute Statutory Auditor	Civetta Mario	24/04/2018	31/12/2020	m	X	-	
Substitute Statutory Auditor	Firmani Annalisa	24/04/2018	31/12/2020	M	X	-	
Substitute Statutory Auditor	Vittadini Francesco	24/04/2018	31/12/2020	M	X	-	
-----AUDITORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----							
No. meetings held during the year under review: 23							
Quorum needed to present a list of candidates at the last appointment: 2.5%				Ownership stake in the Company for the presentation of lists established by Determination no. 28 of 30 January 2020: 2.5%			

NOTES

(°) Until the Shareholders' Meeting to approve the financial statements.

* The M/m in this column depends on whether the Board member was appointed from a list voted by a majority (M) or a minority (m).

** This column shows the attendance rate for the statutory auditors at the 2019 meetings of the Board of Statutory Auditors (number of times present / number of meetings held during the actual term of office of the person concerned).

*** This column shows the number of positions held by the person concerned as director or statutory auditor pursuant to art. 148-bis TUF, including the position held at Mondadori. The complete list of these positions is published on the Consob website pursuant to art. 144-*quinquiesdecies* of the Consob Issuers Regulation. In this Report, only the positions held in other listed companies are shown in full.

TABLE 3: INFORMATION ON OWNERSHIP STRUCTURE

Structure of share capital				
	N° shares	% of share capital	Listed	Rights and obligations
Ordinary shares	261,458,340*	100	MTA market - STAR SEGMENT	**
Increased-vote shares	139,374,650	53.31	----	----
Shares with limited voting rights	----	----	----	----
Shares without voting rights	----	----	----	----
Other	----	----	----	----

NOTES

* At the date of this Report, the Company holds a total of 2,938,293 treasury shares with voting rights suspended as required by law.

** See section 2, Par. "Structure of share capital. Share structure and rights."

Major shareholders			
Declarant	Direct shareholder	% of ordinary share capital	% of voting share capital
Silvio Berlusconi	Fininvest S.p.A.	53.299	69.534
Silchester International Investors LLP *	Silchester International Investors LLP (as manager of, among others, the Silchester International Investors International Value Equity Trust which holds 5.95% and the Silchester International Investors International Value Equity Group Trust which holds 3.23%)	12.56	8.192

NOTES

* *Equity interest by way of "discretionary asset management".*